otpbank

annual report 2011

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Summary

Message from the Chairman of the Supervisory Board

Despite the still difficult economic conditions affecting the local and international market, OTP Group managed to preserve its stable operating capability during the crisis, while its capital and liquidity remained outstanding, in international comparison. OTP Group was declared, in 2011, the third most stable group in Europe, having the third highest Tier1 level amongst the inspected European banks. This result represents the highest score from the banks present on the local Romanian market, according to the EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Hungarian Financial Supervisory Authority, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB).

In 2011, OTP Bank Romania continued to focus its efforts on being close to its clients, but also on defining and implementing a strict cost control strategy. We continued, responsibly, what we had started more than 7 years ago, while developing new products to meet our customers' financial needs. We are proud to also having continued our "Debtors Protection Program", thus ensuring both customer care and the bank's safety.

Being a responsible member of the communities in which we activate, made us continue the first national-wide social responsibility campaign developed by OTP Bank Romania, "The Right to Read", achieving impressive results. 110 rural schools were equipped with almost 80.000 books and the proper furniture, thus almost 20.000 children received back a right that should be natural for everybody, the Right to Read.

The Gold award received by the Right to Read campaign at EMEA Sabre Awards 2011 (Superior Achievement in Branding and Reputation Excellence), for the "Best Campaign in Balkans" emphasized the CSR campaign's impact on the local communities.

2011 also brought positive financial results for the Romanian subsidiary of OTP Group:
• OTP Bank Romania ended the year 2011 with a positive financial performance, according to the original report submitted

to the Budapest Stock Exchange. Thus, the Bank registered a RON 13 million after tax profit, while the operating result remained stable during the year;

- The loan portfolio, both corporate and mortgage expanded considerably on a yearly basis (8%). Moreover, the corporate loan volumes grew during each quarter of 2011;
- OTPdirekt, a confortable, fast and safe service that perfectly fits to a modern lifestyle, extended its benefits for clients;
- The personal loans kept on providing new and special conditions to our clients. Also, two new products were developed, one especially designed for pensioners and the other designed as a medical loan;
- OTP Bank joined the fourth tier of the national government housing program, "Prima Casa", but also started its own similar initiative in offering special loans for housing under the name "Primul Pas";
- OTP Bank joined the national financial program "Mihail Kogalniceanu", that offers special loans conditions for SMEs;
- OTP Bank successfully launched "OTP Mentor", a complete financial consulting program, designed for those who wish to make better use of their financial resources. www.dresoruldelei.ro is the program's online platform that provides the instruments for a better assessment of financial resources.

We trust that in 2012, OTP Bank Romania will continue a positive financial trend and that the values of the company - trust, partnership and integrity – will continue to be what drives forward our evolution.

Pongrácz Antal, Dr.
Chairman of the Supervisory Board

financial highlights

*OTP Group**

	Accroding to IFRS Group Audited Annual Report	Accroding to IFRS Group Audited Annual Report	
Profit and Loss Account (in RON thousands)	**2010**	**2011**	**Change in year 2011 versus 2010 (%)**
Net interest income	9,424,306	10,505,896	11.5%
Net interest income after provisioning	5,250,138	5,231,880	-0.3%
Non-interest Income	2,148,529	2,440,244	13.6%
Total income (with net fees)	11,572,835	12,946,139	11.9%
Operating cost	6,104,452	6,706,332	9.9%
Profit before tax	2,143,209	2,048,431	-4.4%
Profit after tax	1,805,987	1,395,643	-22.7%
Balance Sheet (in RON thousands)	**2010**	**2011**	**Change in year 2011 versus 2010 (%)**
Total assets	150,533,430	141,536,381	-6.0%
Loans and advances to customers	114,417,181	111,661,857	-2.4%
Retail loans	36,400,092	37,151,131	2.1%
Corporate loans	39,930,490	35,342,348	-11.5%
Housing loans	32,554,495	34,288,664	5.3%
Municipal loans	5,532,104	4,879,714	-11.8%
Interbank loans and advances	7,856,831	5,866,200	-25.3%
Deposits from customers	89,465,022	88,786,638	-0.8%
Retail deposits	61,790,211	60,267,740	-2.5%
Corporate deposits	24,050,530	24,971,999	3.8%
Municipal deposits	3,181,128	3,069,543	-3.5%
Issued securities	15,908,299	11,278,798	-29.1%
Provisions for possible loan losses	4,195,851	4,393,964	4.7%
Shareholders' equity	20,115,706	19,679,617	-2.2%

Note*: The Information presented above was computed based on data extracted from OTP Group Consolidated Financial Statements in accordance with International Financial Reporting Standards, as adopted by the European Union, prepared for the year ended December 31, 2011.

The exchange rates used to translate the OTP Group Consolidated Financial Statements from HUF foreign currency into RON are the following:

	2010	**2011**
Exchange rate HUF/RON for Profit and Loss Account translation (average year)	65.07	72.07
Exchange rate HUF/RON for Balance Sheet translation (closing rate)	65.41	60.04

Considering the significant variation of the currency exchange rate (HUF/RON) in 2011 compared to 2010, the Change in year 2011 after RON currency translation differ from the original Change in HUF currency, as presented in OTP Group Financial Statements.

*Main Indicators of OTP Bank Romania S.A.**

	2010	2011	Variation %
Loans			
Gross loans	**2,362,717**	**2,710,353**	**15%**
- from which:			
Individuals	1,078,865	1,204,518	12%
Corporate	1,283,853	1,505,835	17%
Provisions	**163,871**	**204,042**	**25%**
Net Loans	**2,198,847**	**2,506,312**	**14%**
Investment securities available for sale	**134,036**	**9,378**	**-93%**
Investment securities at fair value trough profit and loss	**0**	**89,047**	
Securities held-to-maturity	**501,970**	**238,656**	**-52%**
Liabilities from credit institutions			
- from which:			
Loans, net:	**34,843**	**23,275**	**-33%**
- from EBRD	30,677	19,888	-35%
- from Ministry of Finance	4,166	3,387	-19%
Deposits from Banks	**248,781**	**65,790**	**-74%**
Deposits from Clients	**2,831,520**	**2,775,604**	**-2%**
Derivatives at fair value with group members (liability)	**312,775**	**335,086**	**7%**
Total Shareholders' Equity	**445,201**	**437,675**	**-2%**
Total assets	**3,945,282**	**3,737,890**	**-5%**

* According to the Audited Separate Financial Statements in accordance with the International Financial Reporting Standards, prepared to the year ended December 31, 2011. All amounts are expressed in RON thousands, unless otherwise stated.

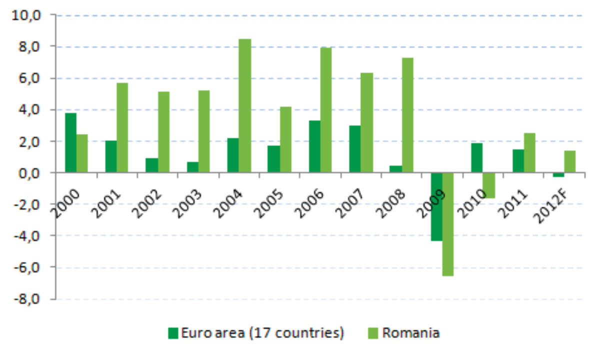
Macroeconomic and financial environment

2.5% GDP growth in 2011, to which agriculture contributed by one third

Last year, Romania recovered after two years of decline. GDP rose by 2.5% YoY, much higher than the euro zone average of 1.5%. Romania benefited from the advance in the EU, being in the positive territory since 2010, so we saw a higher boost in industry which produces to a large extent for external markets, especially EU. The general market sentiment had been at high levels especially in the first quarter, but in the second part of the year, the international political and finance leaders started to discuss about the sustainability of European peripheral countries' debt, with emphasis on the Greek bailout terms. This impacted investors' morale and therefore, flows to emerging countries, such as Romania.

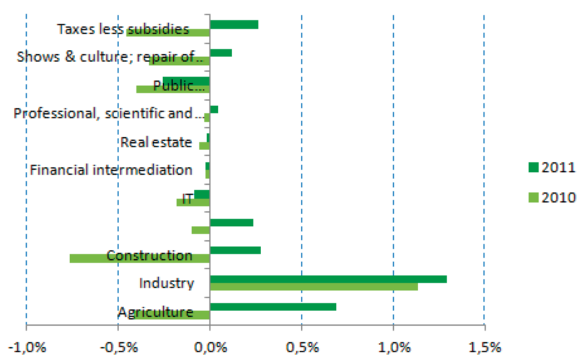
Moving on to the supply side growth support factors, 2011 was a very good agricultural year and agriculture contributed by one third to GDP growth. Another positive effect was noticed in the net taxes, following after the VAT hike from 19% to 24%, in July 2010. Construction activity was boosted by an increased production of non residential buildings and marginally by infrastructure works; residential buildings production remained in the negative area. On the demand side, we saw that household demand and investment picked up, helped by the increased consumer and business confidence. In case of the latter, we believe that the lending terms were beneficial as well, whereas retail lending mostly supported house acquisitions; consumer loan flows were negative.

Annual GDP evolution in Romania and EU 17



Source: Eurostat, OTP Research

Contribution to GDP growth

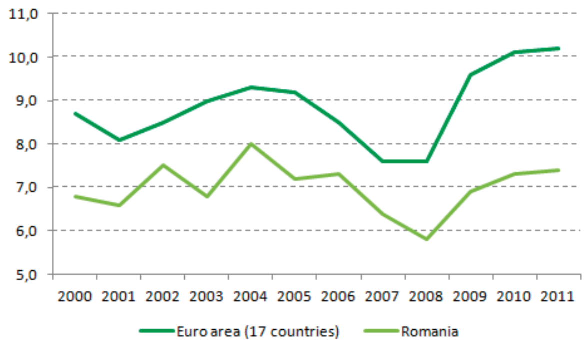


Source: INS, OTP Research

Marginal increase in unemployment, in 2011, to 7.4%

The average unemployment rate marginally rose to 7.4%, in 2011, from 7.3%, during 2010. The rate is above the average of 7%, during 2000-2011, due to cyclical unemployment. Economy wide, the total unemployment stood at 730 thousand persons and the total employment stood at 9.1 mn people, which is 100 thousand less than in 2010. Overall picture pointed to a start of the recovery cycle; companies will start rehiring when due to the new production level, the marginal cost is smaller than the average cost per employee.

The evolution of unemployment rate (2000-2011)



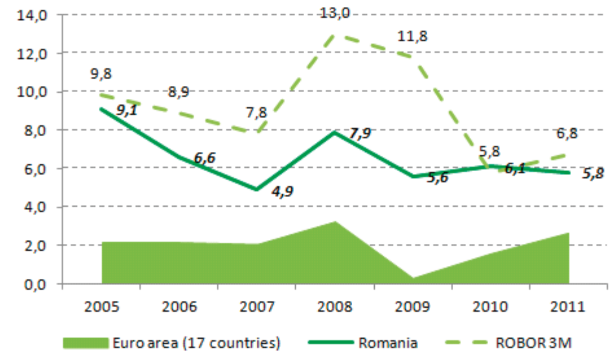
Source: Eurostat, OTP Research

In 2011, the Central Bank continued to relax its monetary policy and reached the inflation target of 3%

In 2011, the Central Bank continued to relax the monetary policy by cutting the base rate, from 6.25%, to 6%. Also, it extended the range of eligible assets accepted by NBR for its open market operations to include Romanian bonds denominated in EUR, issued Romania on the external markets and deposited in the Euroclear system, as well as RON denominated bonds issued by international institutions (deposited in the Euroclear system). In order to release further liquidity in the system, NBR decreased the mandatory reserves ration for FX denominated liabilities (with residual maturity shorter than two years), from 25% to 20% starting April. Also, starting the last quarter, it began using more intensively the weekly repo operations. The lending activity was intensified compared to 2010, non-governmental loans having advanced by 6.6% YoY, compared to only 4.7% in 2010. Most of the advance went to corporations, but the SMEs continued to be considered the riskiest clients. As it was expected, the NPL ratio climbed as well, from 11.85% (December 2010) to 14.05% (December 2011). In what concerns funding sources, domestic deposits covered a large part of the funding need. They gained a similar advance as in the previous year, 5.6% YoY in 2011 (versus 5.8% YoY in 2010), which translated in 10 bn RON increase in stock.

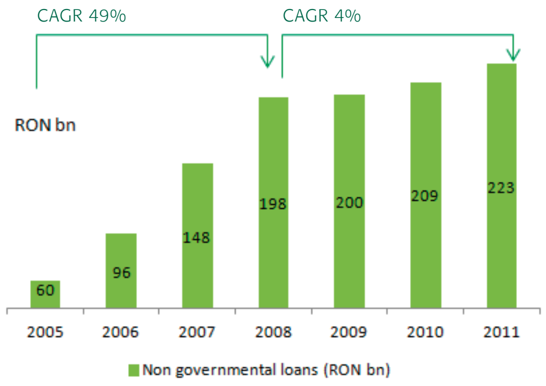
NBR reached its inflation target of 3%, as December figure pointed at 3.14%. The base effect from the previous year VAT hike from 19% to 24% disappeared in July and the weak internal demand allowed for the gradual decrease in inflation. RON's depreciation accelerated in Q4 2011 due to international turmoil related to Greek debt crisis, but the overall figure was minor, only 0.8%, so it did not feed into inflation through the imported prices. Due to the lower inflation rate and the falling trend that was noticed, cumulated with NBR cutting the base rate, ROBOR 3M declined from 6.8%, in 2010, to 5.8%, in 2011. This drop was transmitted both to lending and deposit rates: consequently, the average interest rate on loans lost almost 2% in an year, to 12.1%, while the adjustment for deposit rates was only 1%, to 6.29%.

Inflation rate and ROBOR3M evolution (2005-2011)



Source: Eurostat, OTP Research

Non - governmental loans evolution (2005-2011)



Source: NBR, OTP Research

Romania's fiscal stance improved further, in 2011; Fitch Ratings raised the sovereign rating to BBB-

In 2011, Romania benefited from the difficult fiscal measures that were operated in 2010. This was easily visible, given the lower CDS level and by the change in country's sovereign rating. Fitch Ratings raised the country's sovereign rating by one notch, to the lowest investment grade, BBB-, for the first time in almost three years. Under the close watch of the IMF agreement, the cash basis deficit contracted to 4.1%, lower than the target established with the IMF, of 4.4%. The accrual based deficit figure was also reduced to 5.2%, in 2011, from previous 6.8%. The correction came from increased the VAT revenues and diminished investment and wages expenses. Public debt ratio stood comfortably at 33.3%, significantly below the Maastricht criteria. The fiscal correction was accompanied by the CA further shrinking: from 4.4%, in 2010 to 4.2%, in 2011. In nominal terms however, the deficit was 5.7 bn EUR, some 3% higher than in 2010, due to a deterioration of income balance of 22% YoY. The trade gap continued to shrink. The deficit was financed to a small proportion (34%) by FDI. As the growth path in Europe was not significantly restored and the main focus was on banks' recapitalization in Europe, FDI continued to diminish to 1.9 bn EUR, which was 14% YoY lower than in 2010. During previous years, a large part of FDI came by the means of the banking system.

Outlook 2012:

External financial package and country risk: In March 2011, Romania has signed a two years standby agreement with the IMF, worth 3.4 bn EUR. The arrangement came with additional support from the European Union and the World Bank. At the last review in May 2012, the Fund evaluated that Romania was broadly in lines of the agreement, with one small exception regarding central government arrears. The IMF renewed the discussion with the newly elected government, which will be in place until November elections, at least. While the fiscal targets remained in place for this year (ESA budget deficit at 3%), the next year's target of 1.5% of the GDP may be renegotiated, given that Romania faces Parliamentary elections in November and the new center left government already expressed some intensions which will likely boost expenditures. Among these, we refer to the decrease of social contributions for the employers and the decrease in VAT for agricultural products. In mid June, the government will discuss another 3 year loan (1 bn EUR) with a Deferred Drawdown Option, with the World Bank. This will extend the country's financial buffer. At the date of the current writing (May 21, 2012), the 5Y CDS for the euro denominated contract stands at 396 bp, after having been around 300 bp for the entire year.

Central Bank: The Central Bank continued the base rate cut cycle: up to May 2012, it had decreased the base rate by 75 bp, to 5.25%, after 3 rate cuts. Also, the Central Bank has continued to provide liquidity to the banking system through weekly repo amounting to 6 bn RON. However, the fear of deleveraging has prevented it from further reducing the mandatory reserves ratio. The envisaged path for the RON denominated liabilities with residual maturity smaller than two years is a progressive cut to 10%, from the actual 15% level.

Inflation: The inflation continuously declined to 1.8% YoY in April, due to a base effect. However, for the second part of the year, we expect it to resume growth and peak in Q3 2012. The Central Bank forecasts 3.2% YoY inflation but the risks are tilted to the upside, due to pressures on the FX rate deriving from the adverse scenarios regarding the future of the euro and the sustainability of public debt in emerging European countries.

Growth: The main sources for growth in 2012 are likely to come from the domestic demand, as in the second part of the year the wages of public employees will be increased by 8% and 7.4%, in December. In Q1 2012, the annual growth rate stood at 0.3% YoY, lower than analysts' expectations of 0.9% YoY. The IMF works with a base scenario of 1.5% YoY annual growth with downside risks which have a higher probability to be realized, in the event of a Greek exit.

business results

Business Results

OTP Bank Romania is a subsidiary of OTP Bank, the largest independent banking group from Central and Eastern Europe. OTP Bank provides universal services in Hungary, Romania, Montenegro, Croatia, Bulgaria, Russia, Ukraine, Slovakia and Serbia, for more than 13 million customers, through a territorial network of 1500 units, the ATM network and electronic channels.

History of OTP Bank Romania

The predecessor of OTP Group, the National Savings Bank was established in Hungary, in 1949, as a nation-wide, state-owned banking entity.

In 1990, the National Savings Bank became a public company, with a share capital of HUF 23 billion. Its name was changed to the National Savings and Commercial Bank. Subsequently, non-banking activities were separated from the bank, along with their supporting organizational units.

OTP Bank's privatization began in 1995. As a result of 3 public offers, along with the introduction of the bank's shares into the Budapest Stock Exchange, the state's ownership in the bank decreased to a single voting preference (golden) share.
Currently, the bank is characterized by dispersed ownership of mostly private and institutional (financial) investors.

After the privatization process, OTP Bank started its international expansion, targeting countries in the CEE region, which offer great economic growth potential, similar to that of its domestic market.

OTP Bank has completed several successful acquisitions, becoming a key player in the region. Besides Hungary, OTP Group currently operates in other 8 countries of the region, via its subsidiaries: Bulgaria (DSK Bank), Croatia (OTP Banka Hrvatska), Romania (OTP Bank Romania), Serbia (OTP Banka Srbija), Slovakia (OTP Banka Slovensko), Ukraine (CJSC OTP Bank), Montenegro (Crnogorska komercijalna banka) and Russia (OAO OTP Bank).

OTP Group entered the Romanian financial banking market in 2004, by purchasing 99.99% of RoBank, which afterwards became OTP Bank Romania.

2005 was the year when OTP Bank Romania entered the Retail market, thus launching its first products for individuals: personal loan, personal loan with mortgage, overdraft, banking deposit and current account. 12 new units were opened in 2005, as well.

No less than 7 types of banking cards were launched in 2006, all designed both for individuals and companies. Two of them were absolute premiers on the local market: the first co-branded credit card with a gas station chain (issued with MOL Romania) and the first transparent credit card.

At the end of the third quarter of 2007, the total assets of OTP Bank Romania increased by 15.9%, up to HUF 236.4 billion (EUR 930,706,800). The incurred losses were remarkably lower than in the second quarter of the year. Moreover, the net interest income increased significantly, up to 93%, due to the strengthening of the bank's deposit base. In only one month, December 2007, 20 new branches were opened, OTP Bank Romania reaching the significant number of 104 branches.

2008 was the first profitable year in the history of OTP Bank Romania. Thus, the bank recorded an operating income increase of 65.5%, compared to 2007 (from HUF 10,152 million to HUF 16,800 million). 2008 was also marked by a significant increase of assets, loans and deposit volumes. Compared to 2007, the total assets have increased with 24%, the volume of loans rose by almost 50%, while the deposits volume has increased with 20%.

In 2009, according to the Stock Exchange Report for OTP Group, the subsidiary OTP Bank Romania ended the second consecutive year with positive results, despite the still delicate situation on the financial-banking market. The Romanian subsidiary showed an after tax profit of EUR 4.2 million and an outstanding performance, as the operating profit nearly doubled in 2009, compared to 2008 (according to the 2009 OTP Group level consolidated financial report). The remarkable result was supported by a strong total income growth of 20% versus the previous year and an increase of the net interest income by more than 100%.

2009 and 2010 were difficult years for the players on the banking market. During these crisis years, OTP Group's main targets (hence OTP Bank Romania's targets) were stability, liquidity and profitability.

The Romanian subsidiary of OTP Group ended the year 2011 with a positive financial performance, according to the original report submitted to the Budapest Stock Exchange. Thus, the Bank registered a RON 13 million after tax profit, while the operating result remained stable during the year.

In 2011, OTP Bank Romania continued to focus all its efforts on being close to its clients, but also on defining and implementing a strict cost control strategy.

Even though the delicate economic climate raised a series of uncertainties and doubts, coming both from clients and financial institutions, OTP Bank Romania continued its consolidation process and is dedicated to one of its most important goals – to prove to its clients that they are the most important asset of the bank.

OTP Bank Romania's approach

OTP Bank Romania, as part of OTP Group – the largest independent bank in Central and Eastern Europe – is a universal bank which provides high quality financial products and complete banking services, both to individuals and companies.

The support and the long experience of the Group have helped OTP Bank Romania grow each year dynamically, but, at the same time, with care and responsibly, in accordance with the Romanian banking market challenges.

OTP Bank Romania is a bank with a strong local character and imprint, adapted to the particular needs of the Romanian market. OTP Bank Romania provides high quality customer services and guides its potential clients towards fair offers and services that always meet the highest standards.

The approach towards customers is defined by solid values like trust, partnership and integrity, expressed through transparency, client-orientation and advisory approach.

As a member of an innovative group, OTP Bank Romania was the first bank in Romania to launch new banking products and services on the local market, like the first transparent credit card, the first cobranded credit card with a gas station company – OTP-MOL, as well as innovative investment funds and savings packages, in collaboration with OTP Asset Management – one of the top 6 funds administrators on the local market.

OTP Bank Romania recognizes, develops and encourages the human asset, exposing them to quality, professionalism and perspective. We have built a young dedicated team that is always engaged in an ongoing development process.

OTP Bank Romania strongly believes that customer service is the key factor that makes the difference, as human quality cannot be overlooked.

With more than 7 years on the local market, OTP Bank intends to turn every challenge into an opportunity. Thus, the management team permanently adapts and develops all business decisions to the continuous changing landscape, having as main objective to further strengthen the bank's position on the local market and, most important, to strengthen the relationship we have with our clients.

Targets

"During 2011, OTP Bank Romania continued to focus its efforts on being close to its clients, but also on developing and enforcing a strict cost control strategy, in order to balance the dynamics of the Romanian banking market and trends.

2011 was yet again a difficult year for the entire international banking environment. We continued our client oriented strategy, with a keen focus on finding the best solutions for our customers' financial needs. By doing so, we were fully prepared to react to the uncertain evolution of the international banking system.
We took client service to another level and proved to be more than a financial services provider, but a true financial adviser. Thus, OTP Bank Romania made a success out of OTP Mentor, a complete financial guidance program, designed for those who wish to make better use of their financial resources. The program also provides a user-friendly e-platform, www.dresoruldelei.ro.

Trust, partnership and integrity are essential attributes that we emphasize on when developing our relations with clients.

In order to be prepared for a challenging year like 2011, we had to be quick and precise in our responses towards clients and the financial environment. The "Debtors Protection Program" was continued in 2011 as well, in order to act responsibly and help our clients with loans to overpass a still difficult year.

We consider ourselves and are considered by the highest authorities as a stable and safe bank.

OTP Group was subject to the 2011 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Hungarian Financial Supervisory Authority, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB).

As a result, OTP Group was declared the third most stable group in Europe, having the third highest Tier1 level, amongst the inspected European banks. Taking into consideration this result, OTP Bank got the highest score from the banks present in Romania.

In 2012, we will continue our stable and cautious development and do our best to satisfy our clients' needs, at the highest standards."

Diósi László

General Director,
Chairman of the Management Board,
OTP Bank Romania

Objectives

Since entering the Romanian market, more than 7 years ago, OTP Bank has been implementing a universal banking strategy, with multiple specializations.

Three sources come to emphasize the universal nature of the bank: first, the largest independent bank in Central and Eastern Europe, with more than 60 years of tradition on the Hungarian banking market, the innovative members of the Group present in Romania and third, the corporate and retail banking.

Within our universal banking strategy, we differentiate ourselves, through the means of expertise, in a series of products groups/clients segments, such as corporate midmarket, MSEs, private individual loans, investment funds, Private Banking, OTP Mentor and OTPdirekt service package. One of our most important objectives for 2012 is to increase the lending activity, thus offering our support to the economic system.

Another objective is to continue to apply an efficient cost control strategy and lower the bank's cost, as a response to the ever changing environment.

We are confident that our main strengths that kept us performing for the past 7 years will continue to represent the differentiator factor from other competitors: non-performing loans level below the market, a very high coverage ratio (risk cost versus non-performing loans) as well as increased incomes and decreased costs.

In 2012, we intend to reach profit again and, at the same time, we will continue to be dedicated to one of our most important goals – to prove to our clients that they are our most important asset.

Quality Assurance Projects

Treasury quality statement

During 2011, the Treasury of OTP Bank Romania has improved its performance, by adding even more professionalism to its activity, by increasing its activity turnover and by focusing on widening the types of products available to the bank's customers.

With a moderate credit growth in 2011, OTP Bank Romania has also taken into consideration the funding structure and liquidity, the treasury being focused on managing the liquidity, by preserving the prudent investor principles.

We have succeeded to keep a comfortable volume of investments in T-Bills and T-Bonds issued by the Romanian Ministry of Finance, both in lei and euro, in a difficult and risk aversion environment.

Such a development was in line both with the market evolution and with the safety strategy adopted and implemented by OTP Bank Romania. Major parts of these placements are "eligible assets" for Repo deals with the National Bank of Romania (NBR), in case of liquidity shortfalls.

This fact had the added benefit of conforming to the NBR requirements, which considered that owning a buffer of Government securities represents an important part of a commercial bank's safety strategy, as they are "eligible assets" for Repo deals, in case of liquidity shortfalls.

Another type of investment made by OTP Bank Romania was to possess monetary funds issued by some large banks present on the Romanian market, thus taking advantage of the higher yield paid off by these types of instruments (based largely on fixed income components like T-Bills and deposits).

Projects and Processes Management quality statement

The mission of the Project Management function is to provide project management leadership, expertise and experience to organize trainings to the project teams for initiating, planning, guiding implementations and project completions.

The main responsibilities of the project management team are to manage and control triple project constraints, by ensuring that project plans are implemented on time, within budget and within the set scope.
Critical to successfulness of the project management is maintaining project alignment to the strategic goals and mission of OTP Bank Romania. This is a fact that matters whether projects are managed for the benefit of an organizational unit or for the mission/critical purposes of the entire Bank and surrounding community.

Incorporating project management administration with the best practice methods and standards ensures consistency if it is applied effectively and it is scalable to be administered across various sized projects.

The business process management function scope is to align all aspects of OTP Bank Romania with the needs of its clients. It promotes business effectiveness and efficiency, while striving for innovation, flexibility and integration with technology. This function (BPM) attempts to improve processes continuously.

In 2011, in terms of processes management, OTP Bank Romania has optimized the analysis process of individual loan, thus ensuring a 40% decrease of the processing time. Another significant achievement was represented by the finalization of an automatic solution that supports four important flows: legal opinions, litigations, complaints and incoming/outgoing correspondence with NBR (National Bank of Romania) and other institutions.

The software that was customized for these flows covers the functionalities for managing documentation, keeps history of all interactions and used documents, offers quick responses and optimal logistic by managing requests in a single interface. It also has an automatic allocation of tasks, based on availability (in case of legal opinions), library facilities for standard legal opinions and more conveniently accessible reports for the most efficient monitoring of activities, aimed to reduce bottlenecks (average response time, workload legal responsibility etc.).

In terms of project management, in 2011, the dedicated team ensured the following main responsibilities:

- Undertaking the Project Management role and functions for strategic projects, as decided by the local top management;
- Promoting the project management methodology within the organization and focusing on the benefits of this approach, when the new initiatives correspond to the project definition;
- Permanently monitoring, no matter the project, the clients' impact, costs, benefits and resource allocation.

The main project of year 2011 was represented by the "IFRS implementation". In terms of legislative changes, during the entire year and especially on the second quarter, the Romanian banking system focused on switching from the Romanian Accounting System (RAS) to IFRS.

In OTP Bank Romania, the project was led by the Accounting Directorate and involved the majority of Head Office organizational units and also the territorial network, which made possible a successful project closing.

In 2011, OTP Bank Romania also continued on satisfying the customers' needs for e-products, in order for them to spend less time at the bank desks. In this area, the main accomplishments are related to the OTPdirekt 24/7 service, which allows the client to perform transactions on the internet banking platform, without any time restrictions.

In the same time, we focused on the informational needs and initiated a profitability analysis project, having as main scope to implement a dedicated application and a unique reporting tool (Oracle Business Intelligence). This project will be finalized in 2012.

The successful implementation of the business strategy of OTP Bank Romania depends on the performance of the critical business processes, running efficient projects and on motivating employees to develop improvement initiatives at all levels of the organization.

We will continue to treat the project management standards and methodology based on well-known rules like: "keep it simple", "make it clear"; "give a higher priority to the quality standards than the one you give to the project management methods". All this will help us obtain savings in terms of costs, time reduction and business enhancements.

IT Projects quality assurance

The IT and Logistics Division of OTP Bank Romania, continued, in 2011, to facilitate the Bank to deliver customer oriented, cost-effective and high quality programs to its customers.

A strong attention was paid to ensuring the Bank's business continuity, by providing a reliable framework for the continuity of IT systems and processes.

The IT services and systems aimed to improve the business activities, in line with the general business objectives.
The continuous modernization and implementation of security controls for the IT systems was one of the general objectives of the Bank, in 2011. IT security policies and mechanisms were also permanently updated, in line with the security assurance objective.

In 2011, the IT and Logistics Division took action to implement strategic projects defined by the top management of OTP Bank Romania, like the following:

- **SEPA** – both for lei (Credit Transfer and Direct Debit) and euro - mandatory projects imposed by the National Bank of Romania (NBR), in order to be aligned to the European standards in the payment systems;
- **IFRS Project** – mandatory project imposed by NBR, in order to be able to report at western accounting standards, to have a clear and dynamic picture of the bank's balances, exposure, liquidity and solvency figures;
- **Other mandatory projects imposed by NBR (CRC and CIP updates, TARGET2, New NBR Credit Norm)**;
- **OTP Mentor** – project aimed to improve the reliable customer services;
- **OTPdirekt upgrades** – providing improved and reliable customer services through electronic channels, to help reduce payment processing time and operational risks associated;
- **Profitability Project** – developed in order to have a clear picture of all bank activities and to correctly measure the performance level of the Bank's businesses lines, products and cost centers;

- **Revision of reporting server and reports optimization** – developed for prudential and IFRS mandatory reports and for all the aggregated reports made for the top management;
- **SME strategy implementation**;
- **The improvement of the DR facilities, as a consequence of the DR plan applications** – strategic project defined by the top management and aimed to having reliable systems and keeping the Bank's services at an acceptable level even in disaster situations;
- Refocusing the Bank's technologic solutions to optimize costs and streamline business, with a **continuous increasing IT role in business strategy**;
- **Customers' data file** – strategic project defined to have clean files records about our customers, both from KYC and AML point of view, aimed to reducing the reputational risks associated.

A high level definition of the following **Ten Key Strategic Outcomes** was developed. These represent clear strategic directions to meet the 2011 IT Objectives. These outcomes are:
- Secure and reliable IT infrastructure;
- IT aligned with business;
- Value driven strategic IT investments;
- Customer-centered service delivery;
- Online transformation;
- Enabled knowledge workers;
- Developing training of employees;
- Streamline processes through data sharing and integration;
- Maximized external partnerships (once the above outcomes are realized).

One of the greatest threats to any technology investment is premature obsolescence. OTP Bank Romania has been successful in protecting its technology investment by:
- Establishing refresh programs based on realistic product lifecycles;
- Investing in technologies that are tried and proven;
- Looking forward to identify and respond to the market trends;
- Minimizing costs and complexity in managing the technological infrastructure, by establishing corporate technology standards;
- Establishing and managing technology standards centrally for the Bank, by the local IT team. This has resulted in a reasonably homogeneous technology environment, which is supportable and maintainable at minimal costs.

The main vision of the IT and Logistics Division is to transform the services provided and the infrastructure to a business driver, to support the business needs at the expected time, with the acceptable price and by using the right assets from the available sources – has been fully achieved, in 2011.

Account Management, Sales Network and Bank Transactions

In 2011, OTP Bank Romania operated a restructuring process of its territorial network, by merging 6 units with larger ones. Thus, its territorial network reached 100 banking units. Furthermore, in some cases, the Bank proceeded to relocations, in order to reduce costs and to gain a better market position.

Starting 2011, the efforts of the sales force were concentrated on promoting loans more actively, as the economic environment stabilized. One of the products aiming to restart the lending activity was the personal loan, but the focus was on mortgage backed loans. Internal competitions and promotional offers for the customers were also developed during 2011. Even so, the collection process was still an important part of the activity, so OTP Bank Romania succeeded to maintain a good portfolio quality.

OTPdirekt Internet Banking, Contact Center, SMS Alerts

OTPdirekt is a high quality package of services, which perfectly fits to the modern lifestyle. It is a comfortable, fast and safe alternative that allows customers to carry out transactions and receive information about their accounts, without having to come to the banking units, in conditions of utmost security.

OTPdirekt is the service through which OTP Bank Romania offers to its client the possibility to access their banking accounts 24 hours a day, through three channels:

- **OTPdirekt – Internet Banking (transactions and information)**

Available 24 hours out of 24, 7 days a week, the Internet Banking service brings all the information about the customers' accounts at one "enter"s distance.

The commissions for payments can be two times smaller than those in the OTP Bank's territorial units, while the account balance interrogation and the account statement are free of charge.

The Internet Banking application was optimized to be accessed from any mobile phone with internet connection.

The following functions are available only with a click:

- Transfers in lei or foreign currencies to beneficiaries who have accounts at any bank from Romania or abroad;
- Standing orders;
- Periodical payments;
- Exchanges/transfers between the same person's accounts;
- Foreign exchanges;
- Opening/viewing/closing deposits;
- Account balance generated in files that can be printed or saved on the user's computer;
- Payments for local taxes EBPP type (Electronic Bill Presentment and Payment);
- Detailed information about loans and the debts related, about debit instruments (incoming and outgoing debit instruments) and collateral deposits (through Electronic RM menu). The client can also receive alerts regarding the information offered through Electronic RM;

- Importing domestic payments from a file: any type of payments (inter–banking payments, payments representing treasury rates and taxes, transfers to beneficiaries who have accounts opened at OTP Bank Romania etc.) can be imported automatically through a file with a standard form and subsequent sent for group proce-ssing (bulk) or sent in the desired order;
- Utilities payments;
- Creating models of domestic payments;
- Models of foreign currency payments;
- OTP e-Broker application facilitates direct the access of investors to trading a wide range of financial instruments: stocks, bonds, structured products, rights, fund units etc., listed on the Bucharest Stock Exchange;
- Sending messages to the bank, with different demands.

- **OTPdirekt – Contact Center (transactions and information)**

With OTPdirekt Contact Center, one phone call is enough to find out any information regarding OTP Bank or to order transactions and operations on your accounts.

The Bank representatives can be reached free of charge in Romtelecom network, by calling 0800.88.22.88. The Contact Center can also be reached with a normal call charge from the Vodafone and Orange networks, at *OTPBANK (*6872265). In order to call the Contact Center from other networks (then the ones previously mentioned) customers can dial +4021.308.57.10.

The Contact Center can be reached from Monday to Friday, starting 08:30 until 17:30 (local Romanian time).

Besides the general information regarding OTP Bank, through OTPdirekt Contact Center, with one phone call, clients can find out anything they want about the Bank's financial products and services, the exchange rates, standard commissions and many others. If a customer already has an OTP Bank account, then he can choose:
• To obtain specific information (private) regarding his financial status (accounts, deposits, credits, taxes, commissions, special offers etc.);
• To perform transactions/operations (only for OTPdirekt clients), like: opening current accounts, transfers and payments in lei or in foreign currencies, exchange, card blocking, opening/closing deposits, closing/ending/modifying/suspending an Intra – Banking Direct Debit contract, making foreign exchanges at a negotiated exchange rate etc.

OTPdirekt – SMS Alerts (information only)

OTPdirekt – SMS Alerts refers to sending alerts in the form of short messages to the mobile telephone numbers indicated by the client, according to the contract signed with OTP Bank Romania.

The alerts received through a SMS can be of several types, depending on the client needs:

• Frequent Balance: this alert sends to the client, through an SMS, information about the account balance for the account selected in the contract, at the requested date;
• Account Control: by this alert, the client is informed about the activities on the account (crediting/debiting of the account, regardless of the reason), having control on his account in real time;
• Card Control: Card Control sends an alert immediately after the card is involved in a transaction (POS/online payments/cash withdrawals) or security inquiry (incorrect PIN/CVC);
• NBR Exchange Rate: this alert will send, daily, the NBR quotations (from Monday to Friday), after 13:00 o'clock (after the official exchange rates are supplied by NBR);
• Debit Instruments for payment: the alert will be sent in real time, immediately after the information for the instrument is verified in the system. It is useful for the clients to better manage their payment instruments;
• Electronic RM: the short messages are sent only for legal entities to be notified concerning: maturity of credit facilities, commissions, loan installments, loans interests, deposits that reach their maturity. Together with the SMS sent on the mobile phone, the customer will also be notified through the alerts received on the Internet Banking interface.

The number of OTPdirekt – Internet Banking and Contact Center users, as of December 31, 2011, was 23,121, divided as follows:

• Private individuals, including staff: 12,404;
• Legal entities: 10,717.

The number of OTPdirekt – SMS Alerts contracts, as of December 31, 2011, was 17,112, divided as follows:

• Private individuals, including staff: 10,977;
• Legal entities: 6,135.

The number of SMS alerts sent to the clients during 2011 was 1,592,011.

The number of calls to the Contact Center reached, in 2011, 29,106, while the number of transactions made through OTPdirekt – Contact Center was 240 and through OTPdirekt - Internet Banking 781,592.

The transaction volume through OTPdirekt was:

• Contact Center: 1,421,008 Euro;
• Internet Banking: 1,837,330,288 Euro.

Bank Card Business

During 2011, OTP Bank Romania managed to further develop the bank card business, both on card issuance and merchant acquiring segments and achieved significant improvements related to the quality of the card products and services offered to its customers.

The total card portfolio of OTP Bank Romania exceeded the 200,000 cards benchmark, increasing with 20% (2011 vs. 2010), due to new card sales during 2011. The new portfolio was mainly composed by a variety of debit cards, such as: MasterCard un-embossed, MasterCard Standard, VISA Electron Junior and Visa Business.
The credit card issuance was moderate, mostly due to the risk factors and market conditions, thus the active credit card portfolio increased with around 9%.

The total number of transactions performed by cardholders of OTP Bank Romania also increased in 2011, compared to 2010, with 31%, which represents almost double growth rate compared to previous year.

The Merchant POS business also registered a substantial increase during the year 2011. At the end of December 2011, OTP Bank Romania owned a POS network consisting of around 1,200 POS terminals, while the total transactions volume registered a solid growth of 32%, (2011 vs. 2010).

The most important OTP Bank Romania card related project in 2011 was the implementation of the on-line interface related to bank card authorization, which represented a major step towards improving the customer experience and opened great interfacing opportunities with the internet banking system (OTPdirekt).

In June, 2011, OTP Bank Romania launched its first credit card product addressed to companies (both SMEs and Corporates), the VISA Business Silver card.

Currently, OTP Bank Romania offers one of the most complete card product portfolios in the Romanian market, consisting of the following products:

- MasterCard “Flat” debit cards (lei and euro);
- MasterCard “Standard” debit cards (lei and euro);
- Visa Business “Silver” and Visa Business “Electron” debit cards;
- MasterCard “Standard” and Visa “Transparent” credit card;
- Visa Electron “Junior Plus” and Visa Electron “Junior Max” debit cards;
- VISA Electron “Sapientia” co-branded debit card;
- VISA “Gold” credit card;
- MasterCard “OTP-MOL” co-branded credit card;
- MasterCard Platinum credit card;
- Visa Business “Silver” credit card.

Products for individuals (Liabilities and loans)

The main priorities for 2011 were the new strategies and tactics for customer loyalty and customer retention, maintaining the quality of the existing portfolio, but also creating an ideal environment for attracting new customers.

Taking into consideration the market evolution and the client demand, OTP Bank Romania has periodically updated the pricing conditions for new lending

products, aligning to the market evolution and to customer's needs.

At the same time, OTP Bank Romania also focused on the existing clients, by offering them new solutions of rescheduling/ suspension of loan payments, as part of the Credit Protection Program and loyalty benefits for those with good credit history with the Bank.

Another focus for OTP Bank Romania, in 2011, was to optimize the approval process in order to be more competitive and to attract new customers.

At the end of 2011, NBR promulgated the Regulation no. 24/2011, in order to modify the lending conditions for individuals.
In this concern, all the banks, including OTP Bank Romania, should adjust their internal lending norms to this new regulation.

The loan products are developed in order to satisfy the needs of the potential and existing customers, in a very short time. Depending on the loan purpose and the specific collateral required, individual lending products of OTP Bank Romania are divided in two main categories:

- Loans with mortgage;
- Personal loans and consumer loan products.

Loans with mortgage

Personal Loan with Mortgage. This is a product aimed at financing studies, holidays/ trips, medical treatments, conferences/ symposiums abroad, agriculture and other general needs of the borrower. Also, this product is available for any type of loan refinancing from other banks. There are three available currencies: EUR, RON and CHF, with a minimum credit amount of EUR 1,000 (or equivalent) and a maximum of EUR 200,000 (or equivalent). The granting period is between 6 and 360 months. The accepted collaterals are a 1st rank mortgage on a property (an inferior mortgage rank acceptable only if the superior ranks are in favor of OTP Bank Romania). The maximum amount of financing, during 2011, was between 70% and 85% of the property's value, due to the market evolution.
Considering the new provisions of NBR Regulation no. 24/2011, this type of loan will be significantly affected and restricted after the new provisions will be implemented.
At the end of 2011, the net growth of outstanding balance was of approximately 12%, compared to 2010.

Mortgage Loan for acquisition. This loan can be used for the following purposes: houses/flats full or partial acquisitions and also refinancing of mortgage loans previously contracted from other banks. There are three available currencies: RON, EUR and CHF. The minimum credit amount is EUR 1,000 (or equivalent) and maximum EUR 200,000 (or equivalent). The minimum granting period is 6 months and the maximum is 360 months. The collateral accepted is 1st rank mortgage on the purchased property and property insurance assigned in favor of OTP Bank Romania.

In 2011, OTP Bank Romania continued to offer the **First House** mortgage loans, included in the First House governmental program, designed to stimulate the constructions and houses acquisition market in Romania. The First House loans are guaranteed in proportion of 50% by the Romanian state and the maximum interest rate margin is 400 bps for loans in EUR and 250 bps margin for RON loans. In 2011, OTP Bank Romania has also launched a new mortgage loan for acquisition First House OTP. This new lending product is similar to First House guarantee by the Romanian state, but has lower pricing (maximum interest rate margin of 430 bps for loans in EUR) and maximum loan to value of 85%.

Mortgage Loan for Construction Purposes. It can be used for financing construction projects developed with constructions companies approved by the bank or under client's own administration. There are three available currencies; RON, EUR and CHF, and the minimum credit amount is EUR 1,000 (or equivalent) and maximum is EUR 200,000 (or equivalent). The minimum granting period is 6 months and the maximum is 360 months. The bank finances maximum 70% of the construction project's value. The collateral accepted is 1st rank mortgage on the land and construction, life insurance, construction and property insurance. At the end of 2011, the net growth of outstanding balance was of approximately 33%, compared to 2010.

Personal loans and other lending products

Personal loan. This product helps customers to put all their plans into practice (holidays, studies, conferences and other needs of the customer), without collaterals. OTP Bank Romania accepts a wide variety of eligible incomes and offers the loan in RON, EUR and CHF, with different interest rates. The minimum credit amount is 150 EUR (or equivalent) and the maximum is 10,000 EUR (or equivalent). During 2011, OTP Bank Romania encouraged the lending activity in RON for this product, in line with NBR strategy and market behavior. At the end of 2011, the net growth of outstanding balance was of approximately -15%, compared to 2010, as a result of a high run-off of existing loan portfolio.

Car loan. The loan can be used for financing new or second-hand cars, new scooters and new motorbikes. The loan is available in RON, EUR and CHF. The minimum credit amount is EUR 1,000 (or equivalent) and the maximum is EUR 30,000 (or equivalent). The second-hand cars must have maximum 50.000 km usage and not more than 4 years. The minimum down-payment is 20% for new cars and 25% for old cars. At the end of 2011, the net growth of outstanding balance was of approximately -21%, compared to 2010, considering this product is not part of the current strategy of OTP Bank Romania and as a result of a high run-off of existing loan portfolio.

Overdraft. The product meets the universal expenses on short term. Customers benefit of all the advantages of credit, with maximum flexibility. The client must monthly reimburse only the interest calculated on the used amounts. The maximum limit for the Overdraft is 20,000 RON and this product is addressed mainly to customers receiving their monthly salary in an OTP Bank Romania account. At the end of 2011, the net growth of outstanding balance was of approximately -9%, compared to 2010.

In 2011, OTP Bank Romania focused on special credit solutions offered to customers who transfer their incomes at OTP Bank Romania and also, we created a tailor-made product for retirees, with preferential costs.

Starting March 2011, OTP Bank Romania launched a new product: the loan for medical services, which is dedicated to medical interventions and represents a financing option for customers who are not able to pay for the medical treatment, on their own.

OTP Bank Romania also offers investment and saving products: term deposits, savings accounts, investment funds etc.

Term deposit. It is an account opened on the basis of the contract where the customers can deposit money for a fixed interest rate until maturity. This way, the client has the possibility of increasing the savings due to the influence of capitalized interest rate.

The deposit account can be opened in RON, EUR, USD, HUF, GBP and CHF. There are no commissions for opening, closing or withdrawing, in case the withdrawn is made at maturity. The interest is fixed until the maturity of the deposit. OTP Bank Romania offers standard term deposits with maturity of 1 week, 1 month, 2 months, 3 months, 4 months, 6 months, 9 months, 12 months for all currencies and 18 months or 24 months only for the term deposits in RON, EUR, USD and CHF.

Also, flexible maturities are available between 1 month and 24 months for RON and from 1 month to 12 months for foreign currencies. The minimum amount for opening is RON/USD/EUR/CHF/GBP 100 and HUF 25,000.

For standard term deposits, the client has the possibility of automatic administration of deposits by choosing one of the three options available at maturity: automatic deposit renewal with interest capitalization - the deposit will be automatically extended by the bank for an equal number of months with the initial option, using the interest rate valid on the renewal date of the deposit and accumulated interest for the previous period will be added to the initial deposit; automatic deposit renewal without capitalization - the deposit will be automatically extended by the Bank for an equal number of months with the initial option, using the interest rate valid on the renewal date of the deposit and the accumulated interest for the previous period will be transferred to the current account; automatic deposit liquidation - the Bank transfers the deposit amount and the appropriate interest in the client's current account.

Besides the typical term deposits, OTP Bank Romania offers five more term deposits with an interest rate higher than standard: Anniversary Term Deposit – if the client forms a term deposit in the month he was born, he benefits from a bonus to the interest rate; Term Deposit for Retirees – based on the latest pension coupon or the banking account statement in original (not older than 2 months), a retiree can form a deposit with a bonus to the interest rate; Term Deposit with Flexible Maturity – the client can choose the maturity from the intervals specified above; Term Deposit with Progressive Interest Rate – the interest progressively increase each month (for 6 or 12 months); OTP Sincron Hybrid Term Deposit – Term deposit opened for 1, 2, 3, 4 or 6 months, both in RON and EUR, after a prior investment in any of the three open-ended investment funds, OTP AvantisRO, OTP BalansisRO, OTP ComodisRO distributed by the Bank.

On December 31, 2011 the outstanding balance of term deposits was EUR 160.470.465 (annual change +7,55%).

Savings Account. A sight deposit, which has the advantage of obtaining a higher level of interest rate, compared to the current account. The savings account offers flexibility and limited restrictions regarding the funds access. There are four available currencies: RON, EUR, USD and HUF. The customers are allowed to cash deposits and withdraw without restrictions, to make inter/intra-banking transfers, to withdraw cash without restrictions regarding the amount or the number of times and without any penalties, to transfer funds only to the owned current accounts opened at OTP Bank Romania and to reimburse automatically credit installments from the savings accounts.

The savings account can be accessed through a debit card issued in the name of the account holder or his/her empowered.

On December 31, 2011 the savings accounts outstanding balance was EUR 17.433.428 (annual change -2,75%).

Junior Account. This is a savings account opened in the child name with additional attached facilities. It is available in RON, EUR, USD and HUF. The interest rate is progressive depending on the amount deposited. At a larger amount, the client receives a higher interest. It has the advantage of obtaining a higher level of interest rate compared to the current account and lower commissions.

- **Junior Start** is designed for children under 14 years old;
- **Junior Plus** is created for people aged between 14 and 18 years. The customer has the possibility to obtain a Junior Plus debit card;
- **Junior Max** is created for people aged between 18 and 25 years. The client has the possibility of obtaining a Junior Max debit card.

Current Account. It has no restrictions regarding the funds, cash operations or money transfers during the schedule with the clients. For the amounts placed in the current account, the customers receive a sight interest. It can be opened in RON, EUR, USD, HUF, GBP and CHF. Statements of account are sent monthly (3 RON/ month) to the home/mailing address mentioned by the clients that requested this facility. The client has an automatic credit reimbursement on behalf of OTP Bank Romania from any current account owned by him. The customer can attach the following services: Overdraft, OTP Express, Debit Card and OTPdirekt - Internet Banking, Call Center and SMS Alerts.

On December 31, 2011 the current account outstanding balance was EUR 24.262.038 (annual change +46,05%).

OTP Express service allows individuals and legal entities to make remittances (EUR, USD and HUF) from the accounts opened at OTP Bank Romania to OTP Bank Nyrt clients or to any bank from OTP Group, in a very short time and at an advantageous cost. There is no minimum amount for a transfer through OTP Express. Cut-off time for accepting remittances in the territorial units of OTP Bank, through OTP Express service, is split in two payment types: for normal payment, the cuff-off time is 16:00 (the beneficiary account is credited next day), while for urgent payment, 11:00 (the beneficiary account is credited during the same day).

General provisions. The number of the Bank's customers (individuals) grew from 191,281 to 310,553 during 2011 (achieving a substantial growth of 62.35%; the figure include Iskola clients) and the number of issued bankcards increased with 19.64% over the previous year, reaching 204,219 cards. The number of the Bank's ATMs slightly decreased in 2011 with 1 ATM, reaching 137, by the end of the year. The number of employees was 1070 persons at the end of 2011, which were 33 less than a year earlier.

The number of retail (individuals and legal entities) current accounts managed by OTP Bank Romania reached 436,423 at year-end, while the number of corporate accounts had surpassed 1,761.

Products for Retail Legal Entities – 2011

The Retail Division of OTP Bank Romania administrates all legal entities clients with yearly turnover up to 2 million euro and which do not exceed any limit established for corporate legal entities by the internal credit risk assumption regulations.

OTP Bank Romania provides a wide range of products and services for the Retail legal entities, aimed to meet the needs and expectations of its clients. The products and services offered by the bank, either liabilities or financing facilities, are designed not only to attract new customers, but also to increase the satisfaction of the existing clients.

According to the strategy of the bank, the portfolio of products was closely monitored in order to be adapted to the changing market conditions. In addition to updating the features of the existing products, new and innovative ones were designed, such as:

- **Mihail Kogalniceanu Program for SMEs:** OTP Bank Romania was selected, in the third quarter of 2011, as partner bank for the Mihail Kogalniceanu Program for SMEs. This program was approved by the Government Emergency Order no.

60/29.06.2011 and is implemented by A.I.P.P.I.M.M. (the Agency for Implementing the Programs and Projects for SME).

The objective of Kogalniceanu Program consists in sustaining credit lines granted to SMEs with state guarantees (if the case) and partial subsidies for the loan interests to be paid. The maximum value of each loan is of 125,000 RON and the loans are granted with the following facilities:

a) Partial subsidies granted for the interest – subsidies granted to SMEs from the state budget by the Ministry of Economy and Commerce, through A.I.P.P.I.M.M., up to 75% from the interest due, but not more than 6.5%/year;
b) Guarantees granted by FNGCIMM (acting on behalf of the Ministry of Public Finances) for the loans contracted by eligible beneficiaries, compliant with the conditions of the program and with the internal norms and procedures of the credit institutions. The guarantee can be granted for up to 80% of the credit line, but not more than 100,000 lei.

The program's duration is 2011-2013 and the allocated budget for the subsidies is of 165,000,000 RON (cumulated for all the participating banks).

On December 31, 2011 the volume of the credit lines granted to SME clients within „Mihail Kogalniceanu Program" was of approximately 7,054,440 lei.

- **Guarantee limit convention concluded with FNGCIMM.** A new Guarantee Limit – Frame Convention was concluded with FNGCIMM, which allows the issuance of guarantees in a shorter period of time within a global guarantee limit approved at the bank level. Through this new convention, FNGCIMM will guarantee the obligations to reimburse the individual loan facilities granted by the Bank to SME clients within a global guarantee limit of 20,000,000 RON. The amounts of the individual guarantees reaching maturity for which payment requests have not been formulated are re-utilized within the approved guarantee limit. The value of an individual guarantee is maximum 1,600,000 RON/400,000 EUR (equivalent in foreign currency).

- **Digital signature.** Starting from August 25, 2011, according to the legal provisions, the medium and large contributors are required to present tax returns by electronic means of transmission, only through the National Electronic System. The first step that a legal entity should make in order to obtain the electronic signature is to procure a digital certificate. Therefore, on August 1st, 2011 OTP Bank Romania has concluded a protocol, with certSIGN, for the intermediation of activities concerning qualified digital certificates and will act in the name and on behalf of certSIGN, in order to sell qualified digital certificates to the existing/potential clients of the Bank.

- **Credit card.** It was designed to support the general expenses of the companies, in a challenging business environment. The maximum credit limit which can be granted is based on the average monthly turnover from the lowest 3 months of the last 6 calendar months registered in the accounts opened at OTP Bank Romania, for the existing clients (no more than 250,000 lei) and based on the average turnover registered with the distribution companies for retailers (no more than 250,000 lei). The card type is VISA Business Silver, issued in RON, with a credit limit granted for up to 12 months.

- **Loans granted within the EU/EBRD Energy Efficiency Finance Facility.** On December 23, 2010, OTP Bank Romania has concluded a lending agreement with the European Bank for Reconstruction and Development, for contracting a loan of 10,000,000 EUR from European funds, for sustaining projects designed for increasing the energy efficiency in the economy, respectively granting loans to private legal entities clients observing the

eligibility criteria set by the lender (EBRD). For this lending product, legal entities clients privately owned (above 50% private equity) can receive a grant from European funds as a result of the implementation of the investment project for increased energy efficiency in the conditions presented in detail in the Rational Energy Utilization Plan (prepared by the Project Consultant). The grant is calculated as representing 15% (maximum 375,000 EUR) from the smallest value among the total loan amount (principal) disbursed and the total cost related to the investment project (exclusive of VAT). The investment loan is granted in EUR, and the maximum amount is 2,500,000 EUR/loan.

- **EU Funds business line:** the project **"Development of the European funds business line"** was launched within OTP Bank Romania at the end of 2010. The purpose of the project was to develop the business line for EU Funds within OTP Bank Romania, considering two major aspects:
  - Increase in the number of loans granted by OTP Bank Romania, for projects co-financed from European funds;
  - Increase in the turnover of OTP Consulting Romania.

Therefore, two main products were developed, and became applicable starting April 2011, within this project: the "Comfort letter" and the "Loan for projects financed from European funds". The loan can function either as an investment loan, for financing both eligible and non-eligible expenses of the project, or as a bridge loan, for pre-financing the grant to be received. Within the project, the need for developing a loan for VAT financing also appeared, as at that time the VAT was considered to be a non-eligible expense in most of the financing programs. The product was developed subsequently, however it is not applicable for any investment project not just for the ones financed from EU funds.

- **Loan for VAT financing:** designed for clients requesting financing for projects for which VAT reimbursement applications will be submitted to the Ministry of Finance territorial units, the main reimbursement source being the VAT reimbursed. The credit can be contracted in RON, EURO or in USD and the maximum amount is 100% from the value of the VAT for the project.

- **Loyalty program:** in order to address both the need of rewarding existing clients but also to be attractive to new customers, OTP Bank Romania has implemented a client rewarding system for legal entities clients with turnover up to 2,000,000 EUR in which the bonus granted is in the form of cash credited in client's current account. The bonus is computed and paid monthly, if the client qualifies, based on the non-credit revenues generated by the client to the Bank, focusing on revenues from commissions generated by payments in RON and foreign currency and card transactions.

In addition to the new products developed, the existing product portfolio was tailored according to the evolution of the financial environment and to the clients' expectations. Therefore, the following products were revised:

- **Short term cash loan** – the product was revised and the updates included the set-up of a minimum value per loan and an established loan currency;

- **Banking products and services packages: Confort, Electronic, Gold** – the packages were revised, in order to decrease the interest bonus awarded for the deposits set up by the clients with Electronic and Gold packages and to include the benefits offered by the partner companies of OTP Bank;

- **Overdraft for legal entities clients**: the product was revised in order to extend the applicability area also for the clients administered by the Retail Division and adjusted in accordance with the actual market conditions, legal provisions in force and OTP Bank Romania internal regulations and strategy.

Considering that "Every business is like a battlefield", OTP Bank Romania continued to support the SME clients and promoted the **"Campaign for the Free Purpose Loan and for loans up to 50.000 EUR"**, between March 10 and December 31, 2011. The products offered within the campaign conditions were the Free Purpose Loan and the loans up to 50.000 EUR granted within the conditions of the Internal Service Level Agreement and the benefit offered to the client consisted in a discount of 0.50 p.p. from the granting fee.

Private Banking

OTP Group has a tradition of more than 15 years in the Private Banking field. The service was first launched in Hungary, back in 1995. Since that moment, this business segment has been permanently improved and the success of this approach is confirmed by continuous and sustained growth in both number of clients and assets under management.

The Banker Magazine - which is a member of the leading international business newspapers group, the Financial Times Group – chose OTP Private Banking the "Best private bank in Central and Eastern Europe", in 2010 and 2011.
The Private Banking activity of OTP Bank Romania was officially launched in February, 2008, as a personalized service offered to high net-worth clients. The main objective of this activity is to increase the added value and exclusivity of the offered products and services, by creating a complete package, carefully tailored and adapted to the characteristics of each client.

The service is addressed to customers who invest more than EUR 50,000 in products offered by OTP Bank Romania or cash in a minimum monthly income of EUR 2,000 in a current account opened at OTP Bank Romania.

An important aspect for the clients included in the Private Banking category is represented by the personalized relationship between them and the dedicated counselor. In addition, the clients are members of a group which benefits from products and services offered in accordance to their profiles, objectives, needs and risk tolerance. All these advantages provide them a special statute.

The Private Banking services of OTP Bank Romania were initially offered through a singular banking unit. However, in order to offer the Private Banking package to the elite clients countrywide, regardless of their location, we extended these services to a wider level (all territorial units).

In 2011, the Private Banking strategy was based on the development of this business segment, taking into consideration two directions: increase of the number of clients and of the total assets administrated for these clients. We also focused on adding benefits to the Private Banking package, in order to adapt it to our clients' profiles and needs (the purpose was to diversify the range of products and to create more partnerships to increase the advantages offered to our clients). We improved the offer for investment products, in order to cover different currencies and financial instruments and to offer our clients the possibility to access local, international or global markets.

Thus, depending on clients' financial needs and plans, we are able to offer them the most appropriate saving and investment solutions, from extra safe savings to complex portfolios.

The results at the end of 2011 reflected the objectives established for this year: an increase with approximately 90% of the number of clients included in the Private Banking category, compared to December, 2010.

The total assets under management for Private Banking clients also increased with 30%, compared to the figures registered in December, 2010. The above results create the premises for further development in the Private Banking segment.

Corporate Banking

In 2011, the corporate banking segment was focused on the following strategic actions:

- Approach the performers from all industries;
- Enlarge the loans portfolio, through granting new loans to existing customers and prospects;
- Careful approach upon client relationship, by offering flexibility in structuring corporate transactions;
- Increase the revenues stream with existing clients;
- Strict monitoring of existing portfolio in order to avoid:
    - the increase of risk cost;
    - shrinkage of the revenues generated by existing good customers.

Even if a slight increase in the lending activity was noticed in the market, however, most of the banks have shown an active behaviour in the acquisition and lending of the corporate business. All banks targeted performer clients in all industries, therefore we had to differentiate our corporate strategic approach in the market, by the following main pillars:

- Flexibility – customized offers and quality services;
- Operational excellence;
- Approach of the clients through cross-functional teams.

These pillars allowed us to identify new opportunities during the acquisition process - our corporate business presence being stronger and more articulated, to attract new volumes and preserve the quality of the business, as regards to the maintenance process of the existing clients.

Our corporate activity was centred on the mid-market companies with an annual turnover between EUR 2 and 25 million.

At the end of the year 2011, due to European sovereign risk crisis impacting the majority of the large European banks having subsidiaries in Romania, we noticed that most of these banks had to rely more on local funding, thus putting pressure on the funding cost.

In order to answer the most exigent requests of the corporate customers, we continued to implement tailored-made solutions on the cash management side, confirming once more our strong desire of being a long term partner for our clients.

Regarding loans, we have seen an increased demand for investment projects requiring co-financing with EU funds and an increased demand for short term facilities, for financing the current needs of the companies. Therefore, we have paid a special attention to trade finance transactions and to those projects which implied absorption of EU funds.

As regards to BERD and EU loans, the Bank's consultants offered the necessary guidance to simulate the plans of the corporate clients, implying OTP Bank financing.

During 2011, our corporate activity was rewarded with an EEFF prize for "Supporting Investments in Energy Efficiency". Also, the loan processing speed was successfully improved and the result was a better time-to-market response.

As a final conclusion, in spite of the strong competition characterizing the banking system and the difficult economic situation that continued to affect the Romania, in 2011, the Corporate Division maintained its focus on a high level of quality services in terms of response time, tailored solutions, proactive approach and sharing expertise.

Treasury

In 2011, the macroeconomic situation of Romania has improved, after two years of recession (2009: -6.6%, 2010: -1.6%). It recorded a very good performance (+2.5%), overall Romania meeting the main targets set by IMF, EU in the signed agreements.

The National Bank of Romania has restarted, in November 2011, to cut the main rate, a move that has continued along the first quarter of 2012.

OTP Bank Romania has continued to work on developing its product range, together with OTP Group's support and know-how. By doing so, OTP Bank Romania managed to improve the brand awareness between market participants, customers and banks.

Capital Markets

In 2011, the Romanian Capital Market indicators registered the following changes: number of Shares Traded (volume) +24.62%, Turnover (EUR) +75.53%, BET (EUR) -18.35%, BET-FI (EUR) -12.72%.
Compared with 2010, OTP Bank Romania had a turnover increase of 105,68% and incomes increase of 98,45%, in 2011, from the Capital Markets activities. The market share of OTP Bank Romania, for the capital markets activities, was 0.75%, in 2011.

OTP e-broker - online trading platform implementation - www.otpbank.ro/ro/OTPe-broker/.
OTP e-broker application facilitates direct access of investors to trading a wide range of financial instruments: stocks, bonds, structured products, rights, fund units etc., listed on the Bucharest Stock Exchange.
OTP Bank Romania was the first Romanian bank who offered its clients internet trading for Romanian securities listed on the Bucharest Stock Exchange.
We had the first internet trading platform integrated with our internet banking platform.

Investments:
- Shares, fund units and structured products trading;
- Municipal and corporate bond trading;
- Government securities trading.

Financing:
- Initial public offers (IPO), Secondary public offers (SPO);
- Public offers (takeover and mandatory takeovers).

Products:
OTP e-broker (internet trading platform).

Good news are coming from the Government, regarding the privatization program that will be developed through capital market, according to the IMF agreement.

The Capital Markets Directorate's team of OTP Bank Romania works continuously to develop services in order to improve the brand awareness and to increase its market share.

OTP Group Subsidiaries present in Romania

OTP Asset Management Romania SAI S.A.

OTP Asset Management Romania, operational since April 2008, is positioned as an innovative and active player within the local mutual funds market. The company aims to satisfy its client's needs, offering high quality products and services.

Presently, OTP Asset Management Romania manages six mutual funds:

- Four open end funds:
  - OTP AvantisRO (equity);
  - OTP Obligatiuni (bond, RON denominated);
  - OTP ComodisRO (money market);
  - OTP Euro Bond (bond, EUR denominated).

- Two closed end capital guaranteed funds traded at the Bucharest Stock Exchange:
  - OTP WiseRO;
  - OTP Green Energy.

The company is currently the 6th player on the market, with 2.45% market share, regarding assets under management and continues to maintain its position by offering its products to a large segment of individual and institutional clients.

During 2011, OTP Asset Management Romania continued to grow, as it focused the sales force on assets growth and raising the number of investors in the existing funds.

Thereby, the total assets under management by the end of 2011 grew with 23%, reaching RON 211 million, while the number of investors increased by 20%, reaching 5,135 investors.

In June 2011, the company decided to rebrand one of its Open Ended Funds, OTP BalansisRO – a balanced fund – into a bond fund with exposure on government, municipality and corporate bonds, as well as bank deposits and other assets. The rebranded fund, OTP Obligatiuni has been designated by the Financial Newspaper "The performer fund of the entire market, in 2011", having the highest performance registered by a Romanian fund, in 2011.

For the future, the company intends to maintain its position among the most important asset management companies on the market and to continue along its strategy to bring innovative products to satisfy the investors' needs.

OTP Consulting Romania S.R.L

OTP Consulting Romania was established in 2007, by OTP Bank Romania and the consultancy company OTP Hungaro Projekt from Hungary.

In the previous five years, the experience of the company in developing and implementing projects funded from public funds with the state or European sources, increased. The beneficiaries of the projects were both companies and local administrations from Romania and Hungary.

OTP Consulting Romania offers a wide range of services, being able to offer complex solutions to its clients, for the local development, including trainings and technical assistance, support in identifying new projects and financing sources, consultancy services in drawing up the projects, as well as project management services.

OTP Consulting Romania does not offer only project solutions, but also assistance in implementing the projects, being able to also support the beneficiary's personnel development in project management.

In the same time, OTP Consulting Romania, in cooperation with OTP Bank Romania, jointly implemented the project "Development of the EU Funds Business Line". The Project includes ten subprojects, each one of them being focused on a specific sector. The first three of them were focused to the Bank development of products, procedures and other activities and the other seven were focused on the OTP Consulting, in relation with the Bank. The EU project was successfully closed at the end of 2011.

By the end of 2011, the company had a turnover growth of 7.7%, compared to 2010. Due to the processes optimization and structures within the company, the profit increase was more than 2.5 times, compared to the previous year.

In 2011, OTP Consulting diversified its type of consultancy activities. The company currently has under implementation projects in the fields of cross border cooperation, environment and project management for other types of projects.

The success rate of the projects developed by the company was 88%.

OTP Broker de Intermedieri Financiare S.R.L.

OTP Broker de Intermedieri Financiare started its activity on July 13, 2007, as a team of financial advisors. Their objective is to promote and intermediate the sales for banking products and services offered by OTP Bank Romania.

During 2011, OTP Broker focused on providing first class tailor made financial services for the Romanian private individuals. Through dynamism and integrity, this alternative sales channel provided consistent and affluent sales volumes to OTP Bank Romania that proved to add significant value to the organization, by shortening both loan approval and risk analysis process.

A mobile sales force network was established at national level and was structured in such a way to increase the penetration of OTP Bank's products and services and to also enhance the cross selling ratio for the existing customers of the bank.

This proactive strategy has shown results in 2011 through the company's increased profit, market share and network.

OTP Leasing Romania IFN S.A.

OTP Leasing Romania entered the local market in August 2007, offering car and equipment leasing products.

The products that OTP Leasing Romania offers come to meet the entire market's needs and can be distinguished by the transparent and competitive interest rates, fast approval of the leasing requests and also by high quality post-selling services.

The majority shareholders of OTP Leasing Romania are Merkantil Bank Hungary, member of Merkantil Group (99,99998673%) and OTP Bank Romania (0,0001327%).

ACTIVITIES OF OTHER FOREIGN SUBSISIARIES OF OTP GROUP*

IFRS Reports of the Main Subsidiaries*

*According to the English translation of the proposals for the Annual General Meeting of OTP Group, April 27, 2012, Budapest, OTP Bank Plc.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	**2010**	**2011**	**Change (%)**
Net profit w/o dividends, net cash transfers and one-offs	20,545	41,042	100
Profit before income tax	26,916	53,107	97
Operating profit	50,769	82,007	62
Total income	100,297	142,796	42
Net interest income	88,991	123,990	39
Net profit from fees and commissions	9,638	17,610	83
Other net non-interest income	1,668	1,196	(28)
Operating expenses	49,529)	60,789)	23
Total risk costs	23,853)	28,900)	21
Provision for impairment on loan losses	24,135)	28,714)	19
Other provision	282	(186)	(166)
Main components of balance sheet closing balances in HUF mn	**2009**	**2010**	**Change (%)**
Total assets	664,403	1,218,627	1%
Gross customer loans	508,139	1,072,128	4%
Gross customer loans (FX-adjusted)	560,914	861,281	4%
Retail loans	446,299	210,847	8%
Corporate loans	96,899	-96,706	56%
Car financing loans	17,716	847,807	6%
Allowances for loan losses	(54,718)	733,511	7%
Allowances for loan losses (FX-adjusted)	(60,625)	114,296	1%
Deposits from customers	396,788	37,541	-63%
Deposits from customer (FX-adjusted)	437,659	97,866	3%
Retail and SME deposits	290,750	217,992	13%
Corporate deposits	146,908	2010	Change (%)
Amounts due to banks, governments, deposits from the National Banks and other banks	117,474	118,453	64.3%
Liabilities from issued securities	22,814	3.36%	0.82%
Subordinated bonds and loans	15,421	81.6%	-4.1%
Total shareholders' equity	97,778	2010	Change (%-point)

Loan Quality	2010	2011	%
90+ days past due loan volume (in HUF million)	62,573	80,705	29.0
90+ days past due loans/gross customer loans (%)	12.3%	11.1%	(1.3)
Provision for impairment on loan losses /average gross loans (%)	5.50%	4.64%	0.86)
Allowances for loan losses/90+ days past due loans (%)	87.4%	89.6%	2.2
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	3.3%	5.4%	2.1
ROE	24.3%	33.8%	9.6
Total income margin	16.12%	18.63%	2.51
Net interest margin	14.30%	16.18%	1.88
Cost/income ratio	49.4%	42.6%	(6.8)
Net loans to deposits	114%	135%	20
Net loans to deposits (FX-adjusted)	114%	135%	20

- HUF 41 billion net profit for 2011 is twice as much as in the base period
- Operating profit surged by 62% y-o-y supported by robust net interest and fee income
- Strong consumer loan disbursement, extremely successful cross-selling of credit card products, further increasing cash loan disbursement
- Cost efficiency is still improving (2011 CIR at 42.6%, -6.8 ppts y-o-y)
- Stable funding, successful RUB bond issuances

The HUF denominated financials of OTP Bank Russia were influenced by the development of the RUB/HUF exchange rate: in 2011 the closing rate of the HUF weakened by 9% y-o-y, while the average rate hardly changed y-o-y against the RUB.

The net profit of OTP Bank Russia for 2011 amounted to HUF 41.0 billion, almost twice as high as in the base period.

Total income in 2011 showed dynamic increase, net interest income grew by 39%, net profit from fees and commissions surged by 83% y-o-y. Besides swelling loan volumes higher interest margin (2011: 16.2%, +1.9 ppts y-o-y) also fuelled the increase of net interest income. The growth of net profit from fees and commissions was mainly driven by the still outstandingly strong dynamics of consumer lending. Net profit from fees and commissions grew by 83% y-o-y, which is due to the expanding credit card sales and improving fees and commissions income margin. In 2011 other net non-interest income contribution to total income was less on the yearly basis (-28%). This is due to the practically zero other net non-interest income in 4Q as a result of swap revaluations and forward trading losses. In line with the stronger business activity operating costs increased (+23% y-o-y), however due to the strong income dynamics operating profit grew even faster, by 62% compared 2010. Cost/income ratio dropped below 43%, showing an improvement of about 7 ppts y-o-y.

Risk cost increased by 21% y-o-y in 2011, most significantly in the third quarter. 36% of the yearly risk cost was made in this period, primarily due to a more conservative approach of provisioning on overdue credit card loans in order to enhance provision coverage. By end of 2011 DPD90+ ratio decreased to 11.1% (-1.3 ppts y-o-y). The improvement of the indicator was supported in 4Q by the write-off of a RUB

1.7 billion POS loan portfolio (with 93% provision coverage) and its sale together with a previously writtenoff POS portfolio in the amount of RUB 1.4 billion. The provision coverage of problem loans is steadily high (2011: 89.6%).

The good financial performance of the Bank is mainly due to the successful sale of consumer loans. The FX-adjusted consumer loan portfolio in 2011 is more than half as much as in the base period (+61% y-o-y).

The outstanding growth is fuelled by the POS loan, credit card loan and cash loan disbursements.

In case of the flagship POS-loan product the dynamics of origination remained outstandingly strong and having usually the strongest sales season at the end of the year the portfolio swelled in 2011 by +39% y-o-y. Moreover, 4Q growth was negatively affected by the sale of a non-performing portfolio in the amount of HUF 13 billion (RUB 1.7 billion). Adjusting to the effect of sold loans the growth would have been 47% y-o-y. The Bank kept its No. 2 position in this segment; its market share was close to 21% by the end of December.

The other success story of the Bank, the credit card business continued its massive expansion; in 2011 the portfolio grew by 59% y-o-y. Despite the intensifying competition, market share of the bank hardly eroded (2011: 5.2%, -40 basis points y-o-y).

It is also favourable that cash loans sold through the branch network started to thrive in the course of 2010; in 2011 the portfolio grew from a relatively low base by +172% y-o-y. After changing some conditions of the product, the average loan size has been growing since 2Q 2011, but in 4Q the portfolio growth was moderated as result of a management decision that provisionally put higher yielding loan products in focus.

Due to the low margins the management deliberately cut back the corporate loan portfolio, in 2011 the portfolio shrank on the yearly basis by 43%. It is to be noted that loan sale in 2Q and 3Q also took its toll in these changes.

The growth of FX-adjusted deposits in 2011 was 12% y-o-y. In course of 3Q there was a technical transfer of SME deposits from the corporate portfolio to the retail portfolio, so year-end data of these segments are not comparable with 2010 data. The FX-adjusted net loans to deposits increased by 20.3 ppts y-o-y (2011: 135%).

With the aim of diversifying the funding base, the Bank continued its bond issuance programme launched in March 2011. After the first, RUB 2.5 billion bond transaction in March 2011 the Bank printed a RUB 5 billion paper in July. Both bonds have 3 years maturity and 8.25% and 7.95% coupon rate, respectively. In November 2011 the bank concluded another successful bond issuance. The bond had a face value of RUB 4 billion, 3 years of maturity (with a one year put option), and due to the turbulent market conditions it carries a bit higher coupon than its predecessors (10.5%). After balance sheet close, on 6 March 2012 OTP Bank Russia issued a RUB 6 billion bond maturing in 3 years, with a 2 year put option. The bond bears an annual coupon of 10.5%.

In the beginning of July 2011 Moody's upgraded the Bank's Bank Financial Strength Rating (BFSR) from 'E+' to 'D-' with stable outlook. In November the agency lowered the Bank's long term local currency and FX deposit ratings to 'Ba2' from 'Ba1' triggered by the downgrade of the mother bank's ratings. On 20 December Moody's concluded the review for possible downgrade and assigned stable outlook to the Bank's ratings. After balance sheet close, on 13 January 2012 Fitch Ratings confirmed the Bank's long term issuer credit rating at 'BB' and changed the outlook from stable to negative. Parallel with the growing business operations the number of employees grew y-o-y by 340 to 5,108 by the end of 2011, at the same time the number of branches decreased from 155 to 148. The number of POS loan agents increased by 63% in 2011 and exceeded 22 thousand. The number of own agents grew to 6,940 while number of third party agents reached 15,563.

DSK Group (BULGARIA)*

Performance of DSK Group:

Main components of P&L account in HUF mn	2010	2011	Change (%)
Net profit w/o dividends, net cash transfers and one-offs	18,190	12,744	(30)
Profit before income tax	20,230	14,331	(29)
Operating profit	56,031	59,878	7
Total income	87,709	93,104	6
Net interest income	69,972	74,731	7
Net profit from fees and commissions	15,478	15,867	3
Other net non-interest income	2,260	2,505	11
Operating expenses	(31,678)	(33,226)	5
Total risk costs	(35,801)	(45,547)	27
Provision for impairment on loan losses	(35,232)	(45,713)	30
Other provision	(569)	166	(129)
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	1,218,627	1,360,510	12
Gross customer loans	1,072,128	1,221,517	14
Gross customer loans (FX-adjusted)	1,196,526	1,221,517	2
Retail loans	961,175	964,952	0
Corporate loans	235,351	256,565	9
Allowances for loan losses	(96,706)	158,490)	64
Allowances for loan losses (FX-adjusted)	107,922)	158,490)	47
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Deposits from customers	847,807	1,013,310	20
Deposits from customer (FX-adjusted)	947,254	1,013,310	7
Retail deposits	819,478	892,163	9
Corporate deposits	127,776	121,148	(5)
Amounts due to banks, governments, deposits from the National Banks and other banks	37,541	12,223	(67)
Subordinated bonds and loans	97,866	109,262	12
Total shareholders' equity	217,992	209,484	(4)
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	118,446	200,154	69.0
90+ days past due loans/gross customer loans (%)	11.0%	16.4%	5.3
Provision for impairment on loan losses /average gross loans (%)	3.36%	3.99%	0.63
Allowances for loan losses/90+ days past due loans (%)	81.6%	79.2%	(2.5
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	1.5%	1.0%	(0.5)
ROE	8.8%	6.0%	(2.9)
Total income margin	7.23%	7.22%	(0.01)
Net interest margin	5.77%	5.80%	0.03
Cost/income ratio	36.1%	35.7%	(0.4)
Net loan to deposit ratio (FX-adjusted)	115%	105%	(10)

- Beside improving operating results rising provision for impairment on loan losses (+30% y-o-y) resulted in a 30% decline of 2011 net profit y-o-y
- High coverage ratio (79.2%) due to significant provision for impairment on loan losses as a result of continuous portfolio quality deterioration (DPD90+ 16.4%; +5.3% y-o-y)
- Stable net interest margin
- Increasing FX-adjusted loan and deposit portfolio, +2% and +7% y-o-y respectively
- Steadily outstanding cost efficiency (cost/income ratio in 2011: 35.7%)

* Since 3Q 2010 based on the consolidated Profit and Loss Statement of DSK Group and the newly established Bulgarian factoring company, OTP Factoring Bulgaria LLC. Loan portfolio contains the assets sold to the factoring company at pre-sale gross value and with the related provisioning.

The DSK Group reached HUF 12.7 billion net profit in 2011. It was by 30% less compared to the level of the previous year. The performance of the Bulgarian bank in 2011 proved its henceforward robust income generating capability and efficient cost control. The Bank's operating profit increased by 7% y-o-y in 2011.

Total income advanced by 6% y-o-y, basically due to 7% y-o-y increase of net interest income. Net profit from fees and commissions reflects stable performance both on annual and quarterly base (in HUF +3% y-o-y). The y-o-y +11% growth of other net non-interest income is basically due to securities and foreign currency trading results.

It was a favourable improvement that in 2011 net interest margin remained stable at 5.8%, thanks to pricing and liquidity management measures on the liability side. As a result of stringent cost control the low cost/income ratio improved further by another 40 basis points (2011: 35.7%). Due to the aforementioned, the higher risk costs were the main reason for the decrease in net profit for the period: HUF 45.7 billion risk cost volume of 2011 represents a yearly growth of 30%.

The deterioration of loan portfolio during the year was still significant, DPD90+ ratio rose gradually from 11% to 16.4% (+5.4 ppts y-o-y). With regards to the components: the DPD90+ ratio of SME and mortgage loans grew faster: from 27.5% to 37.5% (+10 ppts) and from 11% to 17.9% (+6.9ppts), however during the yearly pace of deterioration moderated in both segments. The DPD90+ ratio of corporate loans increased to 11% (+4.8% y-o-y). However at the same time moderating deterioration of consumer loan portfolio was experienced, by the end of the year DPD90+ ratio reached 14% (+3.5 ppts y-o-y). At the end of 2011 the coverage of non-performing loans stood at 79.2% (-2.5 ppts y-o-y).

As for the loan portfolio the y-o-y FX-adjusted growth was +2% owing to 2% and 9% increase of mortgage and corporate loan portfolio, respectively. DSK's market share of customer loans remained stable (both in 2010 and in 2011 it was 14.2%).

Due to its outstanding liquidity position the Bank managed to keep its deposit rates below the market level during the year. In spite of that the FX-adjusted deposit book of the Bank grew, the +7% y-o-y growth was a result of a 9% growth of retail deposit book and a 5% decline of corporate deposits. However, as a consequence of pricing measures, DSK's market share in the retail deposit segment dropped by 1 ppt y-o-y to 17.4%, while in the corporate segment diminished by 0.9 ppt to 5.1%.

As a result of stagnating loan and increasing deposit base together with increasing provisioning, net loan-to-deposit rate declined further (2011: 105%, -10 ppts y-o-y).

Capital position of DSK is still very strong, the capital adequacy ratio is almost 1.5 times higher the regulatory minimum (2011: 20.6% vs. 12%; Tier1 ratio: 16.5% vs. 6%). Y-o-y 4% decrease of shareholders equity is caused by dividend payment to the mother bank. DSK paid out in two instalments, in June and in September, altogether HUF 42.1 billion dividend of the retained earnings for 2009 and 2010. However this dividend payment had no negative impact neither on the size of the regulatory capital, nor on capital adequacy ratio.

As part of its Private Banking Project launched in this year, DSK opened three new branches (thus number of branches is 386), number of employees increased by 150 employees to 4,477 y-o-y.

In spite of downgrading the mother bank, in 2011 Moody's Investors Service did not change the 'Baa3' local and foreign currency deposit rating of DSK Bank (outlook is negative).

OTP BANK JSC (UKRAINE)*

Performance of OTP Bank JSC:

Main components of P&L account in HUF mn	**2010**	**2011**	**Change (%)**
Net profit w/o dividends, net cash transfers and one-offs	8,928	5,091	(43)
Profit before income tax	5,719	11,211	96
Operating profit	36,121	26,829	(26)
Total income	61,171	53,585	(12)
Net interest income	50,690	41,784	(18)
Net profit from fees and commissions	7,999	9,063	13
Other net non-interest income	2,482	2,738	10
Operating expenses	25,050)	(26,756)	7
Total risk costs	30,402)	(15,618)	(49)
Provision for impairment on loan losses	30,281)	(15,209)	(50)
Other provision	(121)	(409)	238
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	715,760	778,198	9
Gross customer loans	692,878	799,117	15
Gross customer loans (FX-adjusted)	796,969	799,117	0
Retail and SME loans	372,713	344,870	(7)
Corporate loans	363,979	405,920	12
Car financing loans	60,277	48,328	(20)
Allowances for loan losses	154,126)	(193,587)	26
Allowances for loan losses (FX-adjusted)	177,400)	(193,587)	9
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Deposits from customers	190,061	251,176	32
Deposits from customer (FX-adjusted)	217,106	251,176	16
Retail and SME deposits	129,068	150,469	17
Corporate deposits	88,038	100,707	14
Amounts due to banks, governments, deposits from the National Banks and other banks	366,979	350,556	(4)
Subordinated bonds and loans	43,895	47,971	9
Total shareholders' equity	109,469	120,149	10
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	202,859	239,893	18
90+ days past due loans/gross customer loans (%)	29.3%	30.0%	0.7
Provision for impairment on loan losses /average gross loans (%)	4.44%	2.04%	(2.40)
Allowances for loan losses/90+ days past due loans (%)	76.0%	80.7%	4.7
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	1.3%	0.7%	(0.6)
ROE	8.9%	4.4%	(4.5)
Total income margin	8.57%	7.17%	(1.40)
Net interest margin	7.10%	5.59%	(1.51)
Cost/income ratio	41.0%	49.9%	9.0
Net loan to deposit ratio (FX-adjusted)	285%	241%	(44)

- Profit before income tax in 2011 was almost twice as high as a year earlier
- The disbursement of POS-loans showed a favourable trend, the corporate loan book captured dynamic growth
- The volume of non-performing loans was lower in all segments, the DPD90+ ratio even improved in the second half of the year in spite of stagnating gross loan portfolio
- The FX-adjusted retail and corporate deposit base expanded further on a yearly basis

* 18 From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the financial statement and balance sheet of LLC OTP Credit was also added.

The HUF denominated financials of OTP Bank Ukraine were influenced by the development of the UAH/HUF exchange rate: in 4Q 2011 the closing rate of the HUF weakened by 14% y-o-y, while the average rate strengthened by 4% y-o-y against the UAH.

In 2011 OTP Bank Ukraine realized HUF 5.1 billion net profit; the profit before income tax amounted to HUF 11.2 billion, almost twice as high as a year earlier. The periodic result was primarily driven by the higher tax burden in the last quarter, due to the changes of tax legislation higher tax burden had a one-off impact on the quarterly result. With the intention of moderating the effects of financial crisis, the Ukrainian parliament accepted the so-called Anti-crisis Law, accordingly accrued but still unpaid interest income became deductible from the tax base in 2009 and 2010. In 2011, however there was a change in the legislation and the tax base was retrospectively adjusted upwards by the accrued but unpaid interest income.

The operating profit of the Bank (without risk cost) decreased by 26% y-o-y; the decline in total income continued (-12% y-o-y), whereas operating costs were by 7% higher y-o-y. Regarding the income generation, net interest income dropped by 18% y-o-y since the interest bearing portfolio diminished further as a consequence of portfolio deterioration as well as the decrease of gross loan portfolio. On the other hand, the transfer of the delinquent portfolio to OTP Factoring (Ukraine) had unfavourable impact on interest income generation too, since the Bank does not book any interest income on the transferred portfolio. In addition, higher interest rates were imposed on retail term deposits and the current deposit base had been repriced (the ratio of lower interest-bearing saving deposits decreased in the overall deposit base) in accordance with the UAH liquidity management efforts. On the whole, the expanding deposit base resulted a diminishing net interest margin (2011: 5.59%, -151 basis points y-o-y).

The net profit from fees and commissions in 2011 showed a dynamic growth (+17% y-o-y in UAH terms).

The favourable development was supported by the increase of deposit and payment related fees, also, the card and transaction related fees grew further.

During 2011 operating expenses surged by 11% y-o-y in UAH terms; of which both personnel and other administrative expenses increased further. Accordingly, the recruitment of selling agents came into focus, the number of agents increased to 1.410 people. As a consequence of network rationalization, some of the branches were closed (-37 branches y-o-y) and the staff level of the Bank decreased (4Q 2011: 3,003 people, without agents) as well. Periodic costs, associated with these above mentioned processes also put a downward pressure on profit generation.

The FX-adjusted gross loan portfolio tagnated y-o-y: in case of the retail segment, the car-financing and the mortgage portfolio diminished further (-10% and -20% y-o-y, respectively), however POS-lending showed a dynamic growth. The favourable development could be reasoned by the fact that great emphasis was placed on the expansion of consumer lending; the bank is currently recruiting its regional agency network and partnering up with retail chains. In order to utilize the cross-sale opportunities a new credit card product was introduced late 2011.

The portfolio deterioration was showing a decelerating trend on a yearly basis (FX-adjusted DPD90+ loan volumes grew by HUF 32 billion in 2011 and by HUF 7 billion in 2011). The volume of non-performing loans decreased in all segment, the DPD90+ ratio reflected a decreasing trend in the second half of the year and stood at 30.0% at year end. However, the non-performing loan ratio reflected a further deterioration in case of mortgages (4Q 2011: 45.0%) and SME loans (4Q 2011: 54.3%). The coverage of non-performing loans was higher than 80% at the end of 2011 representing the favourable impact of the decreasing delinquent portfolio as well as the prudent provisioning policy.

The FX-adjusted deposit base expanded by 16% y-o-y, reaching an outstanding growth rate within the group. With the intention of boosting the UAH liquidity position, the dynamic growth of retail deposit was supported by saving deposit campaigns, while corporate deposit base increased by newly deposited amounts of several large corporate clients. Accordingly, the FX-adjusted net loan to deposit ratio improved on a yearly and on a quarterly basis as well (-44 ppts y-o-y).

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	**2010**	**2011**	**Change (%)**
Net profit w/o dividends and net cash transfer	2,721	3,552	31
One-off items, after-tax	0	3,440	
Net profit w/o dividends, net cash transfers and one-offs	2,721	112	(96)
Profit before income tax	3,441	162	(95)
Operating profit	6,938	8,222	18
Total income	20,155	21,784	8
Net interest income	13,964	15,383	10
Net profit from fees and commissions	3,986	4,094	3
Other net non-interest income	2,204	2,307	5
Operating expenses	(13,216)	(13,563)	3
Total risk costs	(3,497)	(8,059)	130
Provision for impairment on loan losses	(3,042)	(6,694)	120
Other provision	(455)	(1,365)	200
Main components of balance sheet closing balances in HUF mn	2010	2011	%
Total assets	484,923	529,853	9
Gross customer loans	335,828	377,592	12
Gross customer loans (FX-adjusted)	374,034	377,592	1
Retail loans	232,466	236,778	2
Corporate loans	139,421	139,399	0
Car financing loans	2,147	1,415	(34)
Allowances for loan losses	(13,083)	(22,013)	68
Allowances for loan losses (FX-adjusted)	(14,388)	(22,013)	53
Deposits from customers	373,813	421,618	13
Deposits from customer (FX-adjusted)	416,590	421,618	1
Retail deposits	369,564	376,059	2
Corporate deposits	47,026	45,558	(3)
Amounts due to banks, governments, deposits from the National Banks and other banks	40,271	36,041	(11)
Subordinated bonds and loans	1,425	1,589	11
Total shareholders' equity	57,262	58,485	2
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	42,991	38,260	(11.0)
90+ days past due loans/gross customer loans (%)	12.8%	10.1%	(2.7)
Provision for impairment on loan losses/average gross loans	0.93%	1.88%	0.95
Allowances for loan losses /90+ days past due loans (%)	30.4%	57.5%	27.1
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	0.6%	0.0%	(0.5)
ROE	4.6%	0.2%	(4.4)
Total income margin	4.22%	4.29%	0.07
Net interest margin	2.93%	3.03%	0.11
Cost/income ratio	65.6%	62.3%	(3.3)
Net loans to deposits (FX-adjusted)	86%	84%	(2)

OTP banka Hrvatska (OBH) Group posted HUF 112 million adjusted net profit in 2011, only a fragment of its net profit in 2010. Net profit including the one-off item was HUF 3.6 billion. The significant drop of oneoff adjusted net profit was due to higher provision for impairment on loan losses increasing by 120% y-o-y, aimed at making a substantively higher coverage ratio on problematic loan portfolio. OBH improved the coverage ratio from 30.4% in 2010 to 57.5% in 2011.

Further positive development is the 18% y-o-y growth of operating profit supported by higher one-off adjusted total income (+8% y-o-y) and a steady growth of net interest income (+10% y-o-y).

At the same time it was a favourable improvement that net interest margin grew by 11 basis points y-o-y basically due to more significant decline of interest rates on deposits than that of on loans. The realised net profit from fees and commissions is practically similar to that of the previous year (+3% y-o-y).

With regards to operating expenses stringent cost control prevailed, in 2011 operating expenses almost matched that of the previous year. Cost/income ratio of the Bank denotes a further improvement (62.3%, -3.3 ppts y-o-y).

As a result of methodology change introduced in June, the portfolio quality improved in every segment, except car loan portfolio. In 2011 DPD90+ ratio was down to 10.1% (-2.7 ppts y-o-y. Due to stagnating economy and high level of unemployment the loan demand remained flat. Beside of the stagnating corporate loan portfolio the 1% FX-adjusted growth of loan portfolio is due to the expansion of mortgage and consumer loans (+2 and 3% respectively).

In spite of continuous cut back of deposit rates in 2011 OBH managed to increase its FX-adjusted deposit book by 1%. As a result of stagnating loan and slightly growing deposit portfolio coupled with increasing provisioning, in 2011 the FX-adjusted net loan-to-deposit rate diminished by 2 ppts to 84%.

Following the HRK 100 million dividend payment in December, capital adequacy ratio of the Bank shrank to 13.6% from 15%, still above the 12% regulatory minimum level.

The number of employees at OBH Group stood at 971 (+14 people y-o-y) as at the end of 2011.

Regarding the sales capacity and branch network, the primary goal is the maintenance and modernization of the existing branch network (103 branches; -2 branches y-o-y).

OTP BANKA SLOVENSKO (SLOVAKIA)*

Performance OTP Banka Slovensko:

Main components of P&L account in HUF mn	**2010**	**2011**	**Change (%)**
Net profit w/o dividends, net cash transfers and one-offs	(952)	(409)	(57)
Profit before income tax	(833)	(336)	(60)
Operating profit	3,727	3,328	(11)
Total income	13,885	13,640	(2)
Net interest income	11,207	10,968	(2)
Net profit from fees and commissions	2,380	2,499	5
Other net non-interest income	298	172	(42)
Operating expenses	(10,157)	(10,311)	2
Total risk costs	(4,560)	(3,665)	(20)
Provision for impairment on loan losses	(4,715)	(3,624)	(23)
Other provision	154	(40)	(126)
Main components of balance sheet closing balances in HUF mn	2010	2011	%
Total assets	349,448	386,313	11
Gross customer loans	273,641	300,970	10
Gross customer loans (FX-adjusted)	305,549	300,970	(1)
Retail loans	200,297	219,482	10
Corporate loans	105,251	80,909	(23)
Allowances for loan losses	(15,677)	(18,992)	21
Allowances for loan losses (FX-adjusted)	(17,545)	(18,992)	8
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Deposits from customers	256,751	290,157	13
Deposits from customer (FX-adjusted)	286,814	290,157	1
Retail and SME deposits	261,980	267,286	2
Corporate deposits	24,835	22,871	(8)
Amounts due to banks, governments, deposits from the National Banks and other banks	11,825	7,596	(36)
Liabilities from issued securities	43,655	42,250	(3)
Subordinated bonds and loans	8,109	9,057	12
Total shareholders' equity	24,551	30,421	24
Loan Quality	2010	2011	Y-o-Y
90+ days past due loan volume (in HUF million)	27,965	34,650	23.9
90+ days past due loans/gross customer loans (%)	10.2%	11.5%	1.3
Provision for impairment on loan losses/average gross loans (%)	1.72%	1.26%	(0.46)
Allowances for loan losses/90+ days past due loans (%)	56.1%	54.8%	(1.3)
Performance Indicators (%)	**2010**	**2011**	**Y-o-Y**
ROA	(0.3%)	(0.1%)	0.2
ROE	(3.9%)	(1.5%)	2.4
Total income margin	3.83%	3.71%	(0.12)
Net interest margin	3.09%	2.98%	(0.11)
Cost/income ratio	73.2%	75.6%	2.4
Net loans to deposits	100%	97%	(3)
Net loans to deposits (FX-adjusted)	100%	97%	(3)

HUF20 denominated financials of OBS were highly influenced by the development of the EUR/HUF exchange rate: in 2011 the closing rate of the HUF weakened by 12% y-o-y, while the 2011 average exchange rate shows 1.4% depreciation of HUF in comparison to 2010 average rate.

In 2011 OTP Banka Slovensko posted HUF 409 million net loss against the HUF 952 million loss of the base period. The smaller loss is mainly reasoned by the 20% y-o-y drop of total risk costs. The tiny positive 9M profit was pushed into red in 4Q by a couple of one-off elements (4Q operating expenses

* From 3Q 2010 on OBS sold loans to Group members. The balance sheet of OBS reflects the standing before the transfer of loans. Accordingly, in 2011 Balance Sheet contains consolidated data of OBS and OTP Faktor Slovensko s.r.o., adjusted to loans sold to OTP Bank Plc and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements in the 2011 figures.

were elevated by approx. EUR 0.4 million extra costs related to closing of litigations; also default interest was deducted by about the same amount related to sold corporate loan portfolios). Total income decreased by 2% y-o-y, while operating expenses grew by 2% which is a proof of a stringent cost control, taking into consideration the HUF depreciation and the one-off elements in 4Q. Cost/income ratio improved in the first three quarters of 2011 but jumped to 82% in 4Q, resulting in a y-o-y 2.4 ppts worsening for the whole year (2011: 75.6%).

Net interest income dropped by 2% y-o-y partially due to lower loan volumes and the 11 basis points lower NIM in 2011 which is explained by the higher interest cost of interest bearing liabilities. Net profit from fees and commissions grew by 5% compared to 2010.

In 2011 OBS set aside HUF 3.6 billion provision for impairment on loan losses (-23% y-o-y), out of which 4Q risk cost totalled to HUF 1.2 billion. By the end of 2011 the DPD90+ ratio worsened by 1.3 ppts to 11.5% y-o-y, mainly due to the growth of DPD90+ portfolio (+24% y-o-y), but FX-adjusted volume of total loans also shrank throughout the year. In 4Q the bank wrote off and sold corporate loans in the total amount of EUR 16 million in the course of a portfolio cleaning activity. Provision coverage of DPD90+ loans also increased due to the one-offs by 5 ppts in 4Q, however on the yearly basis it shrank by 1.3 ppts (2011: 54.8%).

The development of loan and deposit volumes was in line with the intention to strengthen the retail focus of the Bank. The FX adjusted loan portfolio shrank by 1% y-o-y. There was a significant drop in the corporate portfolio volumes (-23% y-o-y), at the same time retail lending gained momentum (+14% y-o-y and +2% q-o-q). New mortgages grew even faster than the market average supported also by promotion campaign launched in spring 2011.

FX-adjusted deposits advanced by 1% y-o-y, which is a composition of the 2% growth of retail and SME deposits (within that retail term deposits surged by 25%) and 8% drop of corporate deposits. Net loans-todeposits ratio remained quite stable, in 2011 it stood at 97% (-3 ppts y-o-y). In 2011 the number of branches hardly changed, only dropped in 4Q from 76 to 74 due to branch close. The number of employees has grown by 36 to 609 in 2011.

National Bank of Slovakia introduced new asset valuation methodology effective from January 2011 raising capital requirements for credit risk. In order to offset these effects OTP Bank decided to raise the registered capital by EUR 10 million, which was accomplished on 16 December 2011.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account in HUF mn	2010	2011	Change (%)
Net profit w/o dividends, net cash transfers and one-offs	(7,312)	(6,283)	(14)
Profit before income tax	(7,325)	(6,149)	(16)
Operating profit	(125)	(1,316)	951
Total income	6,344	5,220	(18)
Net interest income	2,568	1,460	(43)
Net profit from fees and commissions	1,689	1,872	11
Other net non-interest income	2,087	1,888	(10)
Operating expenses	(6,469)	(6,536)	1
Total risk costs	(7,200)	(4,833)	(33)
Provision for impairment on loan losses	(6,698)	(4,960)	(26)
Other provision	(502)	127	(125)
Main components of balance sheet[1] closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	114,796	121,475	6
Gross customer loans	88,753	90,523	2
Gross customer loans (FX-adjusted)	99,657	90,523	(9)
Retail loans	40,412	38,723	(4)
Corporate loans	59,244	51,801	(13)
Allowances for loan losses	(18,560)	(26,078)	41
Allowances for loan losses (FX-adjusted)	(20,823)	(26,078)	25
Deposits from customers	37,180	36,476	(2)
Deposits from customers (FX-adjusted)	41,645	36,476	(12)
Retail deposits	30,573	29,541	(3)
Corporate deposits	11,072	6,934	(37)
Amounts due to banks, governments, deposits from the National Banks and other banks	15,922	6,602	(59)
Subordinated bonds and loans	40,846	45,967	13
Total shareholders' equity	17,987	27,706	54
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	42,443	54,836	29.2
90+ days past due loans/gross customer loans (%)	47.8%	60.6%	12.8
Provision for impairment on loan losses/average gross loans (%)	7.50%	5.53%	(1.97)
Allowances for loan losses/90+ days past due loans (%)	43.7%	47.6%	3.8
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	(6.0%)	(5.3%)	0.7
ROE	(32.0%)	(27.5%)	4.5
Total income margin	5.25%	4.42%	(0.83)
Net interest margin	2.12%	1.24%	(0.89)
Cost/income ratio	102.0%	125.2%	23.2
Net loans to deposits (FX-adjusted)	189%	177%	(13)

The 2011 net loss of OTP Banka Srbija reached HUF 6.3 billion, 14% lower than a year ago.

The development of the net result was determined by the weak revenues and the risk costs. With regard to the portfolio quality developments, the unfavourable tendencies continued: the ratio of DPD90+ loans hit 60.6% (+12.8 ppts y-o-y). From the second half of the year, the stabilization of the DPD90+ ratio could be observed. The coverage ratio reached 47.6% at the end of December (+3.8 ppts y-o-y). Total risk costs dropped by 33% y-o-y.

In 2011 total revenues came out 18% lower than in the base period. The net interest income decreased by 43%; the primary reason is that the loan portfolio

1 Balance sheet and P&L lines show the aggregated financial performance of OTP banka Srbija and OTP Factoring Serbia d.o.o.

on which interest income is booked is gradually declining as the loan quality keeps deteriorating and the loan portfolio keeps shrinking. The full-year net profit from fees and commissions performed well with an 11% y-o-y growth.

Due to the lower revenues and the stable operating costs in 2011, the Bank remained a loss maker on the operating result line. The total gross loan portfolio shrank by 9% y-o-y, adjusted for the FX-effect. The Bank concentrated its lending activity on the RSD personal loans, which resulted in remarkable FX-adjusted volume growth in this segment (+28% y-o-y). Corporate loans that account for 57% of the total loan book dropped by 13% y-o-y.

The deposits decreased by 12% y-o-y adjusted for the FX-effect, mainly reflecting the gradual, but significant drop of corporate deposits.

The registered capital of OTP banka Srbija was raised by OTP Bank in October 2011 (in the amount of RSD 547.8 million) and in December (RSD 495.4 million). All in all, taking into account the issuance premium as well, the shareholders' equity went up by RSD 3,685.3 million after the two capital injections.

The capital adequacy ratio (CAR) reached 18.2% in December 2011, compared to 16.4% a year ago.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)*

Performance of CKB:

Main components of P&L account in HUF mn	2010	2011	Change (%)
Net profit w/o dividends and net cash transfer	(16,844)	(4,525)	(73)
Profit before income tax	(16,844)	(4,525)	(73)
Operating profit	3,825	1,998	(48)
Total income	9,793	8,339	(15)
Net interest income	7,132	5,587	(22)
Net profit from fees and commissions	2,981	2,692	(10)
Other net non-interest income	(319)	61	(119
Operating expenses	(5,968)	(6,341)	6
Total risk costs	(20,669)	(6,524)	(68)
Provision for impairment on loan losses	(20,316)	(4,020)	(80)
Other provision	(353)	(2,503)	609
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	212,228	232,750	10%
Gross customer loans	158,321	165,708	5%
Gross customer loans (FX-adjusted)	176,711	165,708	(6)%
Retail and SME loans	111,693	72,677	(35)%
Corporate loans	65,018	93,032	43%
Allowances for loan losses	(31,149)	(46,536)	49
Allowances for loan losses (FX-adjusted)	(34,768)	(46,491)	34
Deposits from customers	158,021	171,982	9
Deposits from customers (FX-adjusted)	176,599	171,982	(3)
Retail and SME deposits	113,201	134,543	19
Corporate deposits	63,398	37,439	(41)
Amounts due to banks, governments, deposits from the National Banks and other banks	21,860	22,287	2
Subordinated bonds and loans	7,532	8,408	12
Total shareholders' equity	16,222	16,231	0
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	42,166	60,296	43.0
90+ days past due loans/gross customer loans (%)	26.6%	36.4%	9.8
Provision for impairment on loan losses /average gross loans (%)	11.97%	2.48%	(9.49)
Allowances for loan losses/90+ days past due loans (%)	73.9%	77.2%	3.3
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	(7.5%)	(2.0%)	5.5
ROE	(85.8%)	(27.9%)	57.9
Total income margin	4.38%	3.75%	(0.63)
Net interest margin	3.19%	2.51%	(0.68)
Cost/income ratio	60.9%	76.0%	15.1
Net loans to deposits (FX-adjusted)	80%	69%	(11)

HUF denominated financials of CKB Bank were highly influenced by the development of the EUR/HUF exchange rate: in 4Q 2011 the closing rate of the HUF weakened by 12% y-o-y and 7% q-o-q against EUR, while the yearly average rate depreciated by 1% y-o-y. Methodological note: in 2Q 2011 loan portfolio in the volume of HUF 33.4 billion was reclassified from the SME segment into corporate loans. Furthermore, a certain part of the corporate deposits – HUF 20 billion – was reclassified into the SME deposits. Those changes had a significant impact on the y-o-y development of product volumes.

* In 4Q 2010 OTP Groups's Montenegrin collection company (OTP Factoring Montenegro d.o.o.) started its operation, therefore from 4Q 2010 CKB Bank and its subsidiary's consolidated balance sheet and P&L statement are reported.

In 2011 Crnogorska Komercijalna Banka (CKB) posted a net loss of HUF 4.5 billion, compared to the loss of HUF 17 billion in 2010. The considerable improvement on a yearly basis was primarily due to the diminishing risk cost. The operating income was lower by 48% y-o-y reflecting an adverse development.

On a yearly basis, net interest income decreased by 22%, net profit from fees and commissions dropped by 10%, while operating expenses increased slightly (+6%) y-o-y.

The portfolio transfer of non-performing loans from the Bank to the Montenegrin collection company continued during 2011. The Bank has already transferred loans in the amount of roughly EUR 65 million in 2010 and EUR 31.3 million in 2011. The Bank does not book any interest income on transferred portfolios; however their volumes are still booked in the balance sheet of CKB.

The net interest margin gradually improved over the last year due to the positive impact of lower interest rates on deposit base (1Q: 2.40%, 2Q: 2.52%, 3Q: 2.75%, 4Q: 2.81%).

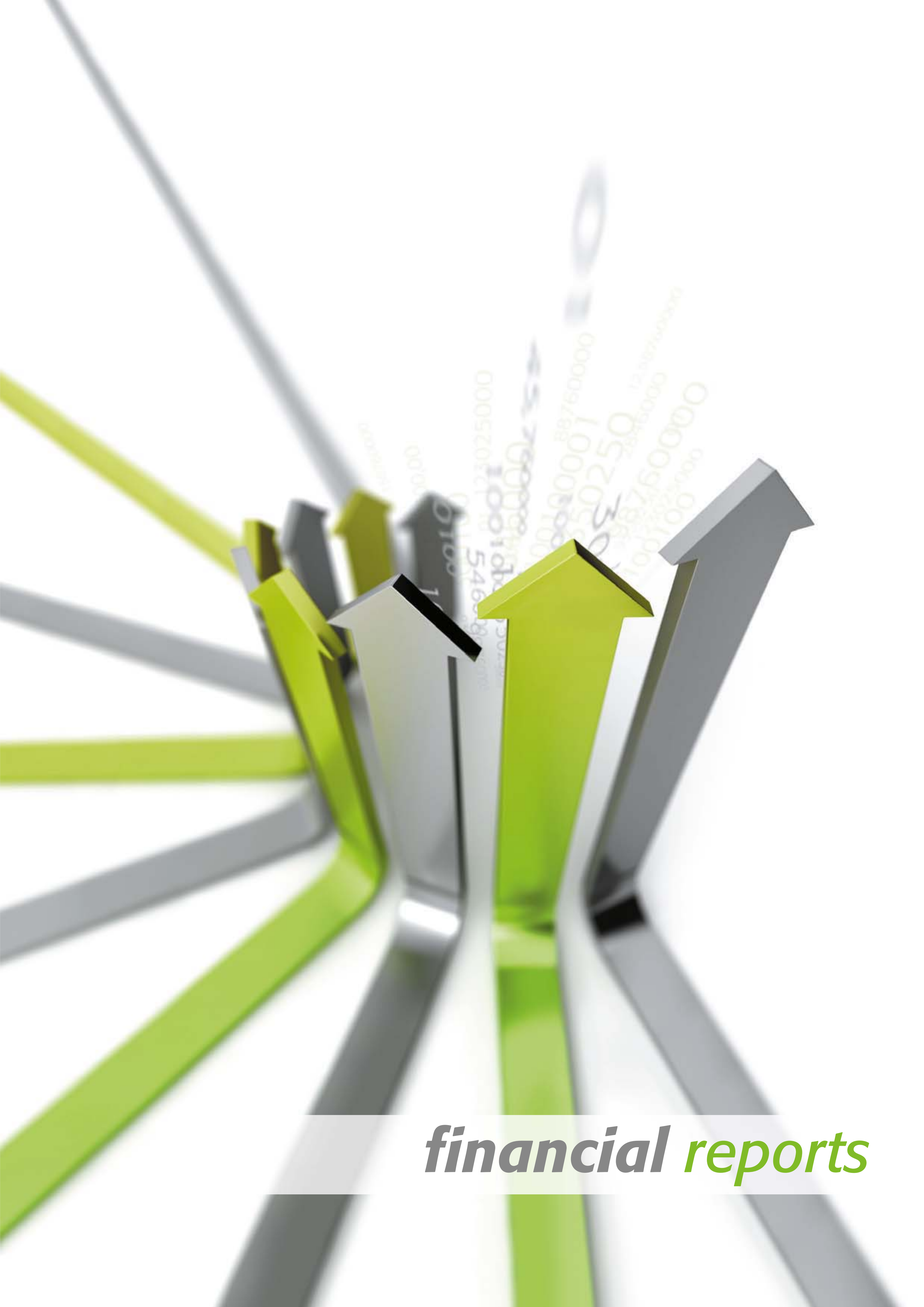
The unfavourable development of net profit from fees and commissions (-10% y-o-y) is partially the consequence of the modest lending activity. On the other hand, the Bank did not play an active role in deposit campaigns due to its favourable liquidity position.

The yearly operating expenses were 6% higher than a year earlier. The higher level of personnel expenses was partially affected by the enhancement of collection activities. During the last year, the staff level (4Q 2011: 450 persons) and the branch network (4Q 2011: 32 branches) remained unchanged. The loan loss provisioning decreased on a yearly basis, while other provisions (HUF 2.5 billion) were made for unpaid interest and already drawn bank guarantees.

During 2011 demand for loans remained moderate; the FX-adjusted loan portfolio declined by 6% y-o-y.

With respect to the retail segment, consumer lending had high priority. Promotional campaigns focused on personal loans – the FX-adjusted personal loan growth was 11% y-o-y – and a new credit card product was also launched in autumn 2011. The volume of mortgage portfolio decreased gradually over the year (-9% y-o-y FX-adjusted).

In the last year, the emphasis was on the more effective collection activity as well as on the promotion of partial redemptions. Accordingly, the non-performing loan formation y-o-y diminished considerably; the DPD90+ ratio (2Q 2011: 39.1%, 3Q 2011: 37.9%, 4Q: 36.4%) even improved against the shrinking gross loan portfolio. In case of the retail segment, the favourable effect of collection efforts was reflected both in the mortgage and consumer segments, while the touristic season had also a positive effect on debt servicing ability of retail clients. The coverage of non-performing loan portfolio climbed to 77.2% by the end of 2011.



financial reports

To the Shareholderd and Board of Directors of
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Independent Auditor's Report

1. We have audited the accompanying separate financial statements of OTP Bank Romania S.A., (the Bank) which comprise the unconsolidated statement of financial position as at 31 December 2011, and the unconsolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the separate financial statements give a true and fair view of the financial position of OTP Bank Romania S.A. as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

7. This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Deloitte Audit - SRL

Deloitte Audit S.R.L.
Bucharest, Romania
23 March 2012

OTP BANK ROMANIA S.A.
Unconsolidated Income Statement and Statement of Comprehensive Income as at December 31, 2011

UNCONSOLIDATED INCOME STATEMENT	Note	Year ended December 31, 2011	Year ended December 31, 2010
Interest Income	**6**	**263,983**	**321,652**
Interest Expense	**7**	**(144,383)**	**(165,929)**
Net interest income		**119,600**	**155,723**
Fee and commission income	8	78,299	72,180
Fee and commission expense	8	(21,688)	(15,532)
Net fee and commission income		**56,611**	**56,648**
Impairment losses	**9**	**(31,119)**	**(104,703)**
Net interest, fee and commission income after impairment losses		**145,092**	**107,669**
Trading income, net	10	41,196	40,011
Other income	13	407	989
Income from sale of shares		11,641	12,139
Total non- interest income		**53,243**	**53,139**
Income before non-interest expense		**198,335**	**160,808**
Salaries and related expenses	11	(95,628)	(92,275)
Operating expenses	12	(64,678)	(61,979)
Other expenses	13	(34,432)	(40,383)
Total non-interest expense		**(194,737)**	**(194,637)**
Profit/(Loss) before income taxes		**3,598**	**(33,829)**
Income tax expense	27	(44)	(43)
Deferred tax expense		(5,533)	(1,966)
Net Loss for the period		**(1,980)**	**(35,837)**
Basic earnings per ordinary share (face value RON 240) in RON	**29**	**(0.88)**	**(18.03)**

Unconsolidated Statement of Comprehensive Income	Year ended December 31, 2011	Year ended December 31, 2010
Net loss after tax	**(1,980)**	**(35,837)**
Other components of comprehensive income, after tax		
Revaluation of financial assets available for sale	(5,725)	5,598
Total comprehensive loss for the reporting period	**(7,705)**	**(30,239)**

These financial statements have been authorized for issue by the management in March, 2012.

OTP BANK ROMÂNIA Administrația Centrală 1. Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 55

OTP BANK ROMANIA S.A.
Unconsolidated Statement of Financial Position
as at December 31, 2011

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	December 31, 2011	December 31, 2010
ASSETS			
Cash	14	165,318	168,990
Current accounts and deposits at banks	15	171,666	356,434
Accounts with the National Bank of Romania	16	390,575	383,816
Securities held-to-maturity	17	238,656	501,970
Loans and advances to customers, net	18	2,506,312	2,198,847
Investment securities-Available for sale	20	9,378	134,036
Investment securities at fair value through profit and loss	20	89,047	0
Investment in Associates and Subsidiaries	21	210	210
Tangible and intangible assets, net	19	136,478	132,859
Derivatives	26	3,214	13,518
Other assets, net	22	27,037	54,601
Total assets		**3,737,890**	**3,945,282**
LIABILITIES			
Due to Banks		65,790	248,781
Demand deposits banks	23	45,485	42,625
Term deposits banks	23	20,305	206,156
Due to customers		2,775,604	2,831,520
Demand deposits customers	24	432,750	574,101
Term deposits customers	24	2,342,854	2,257,419
Total deposits		2,841,394	3,080,301
Borrowings	26	23,275	34,843
Derivatives	26	335,086	312,775
Deferred tax liability, net	27	12,808	8,366
Other liabilities	28	87,652	63,796
Total liabilities		**3,300,215**	**3,500,080**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	29	542,909	542,909
Share capital restatement	5	42,751	42,751
Total share capital		585,660	585,660
Accumulated deficit	5	(147,985)	(140,459)
Total shareholders' equity		**437,675**	**445,201**
Total liabilities and shareholders' equity		**3,737,890**	**3,945,282**

These financial statements have been authorized for issue by the management in March, 2012.

OTP BANK ROMÂNIA Administrația Centrală 1. Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

All amounts are expressed in RON thousands, unless otherwise stated

OTP BANK ROMANIA S.A.
Unconsolidated Statement of Cash Flows
as at December 31, 2011

UNCONSOLIDATED STATEMENT OF CASH FLOWS	Note	Year ended December 31, 2011	Year ended December 31, 2010
Cash flows from operating activities			
Profit / (Loss) before taxation		**(1,980)**	**(33,829)**
Adjustments for non-cash items:			
Depreciation expense	11	19,690	20,354
Loss/(Gain) on disposals of fixed assets		1,035	(5,050)
Profit on disposal of Available-for-sale securities	8	0	0
Charge / (Release) of other provisions		0	0
Impairment losses on loans and advances to customers		19,862	103,425
Impairment losses on fixed assets		0	(2,203)
Impairment losses (-) / recovery (+) for investment in subsidiaries	8	0	379
Impairment losses on sundry transactions		11,258	851
Other adjustments		5,505	(3,830)
Valuation of derivative transactions		32,159	113,812
Total adjustments for non-cash items		**89,509**	**227,738**
Net profit / (loss) adjusted for non-cash items		**87,529**	**193,909**
Changes in operating assets and liabilities			
(Increase)/decrease of restricted cash at National Bank of Romania		(6,759)	(92,311)
(Increase)/decrease of pledged current accounts and deposits at banks		0	0
(Increase)/decrease of loans and advances to customers		(327,327)	(213,709)
(Increase)/decrease of other assets		27,565	(23,762)
Increase/(decrease) of demand deposits		(138,492)	331,553
Increase/(decrease) of term deposits		(100,416)	110,942
Increase/(decrease) of other liabilities		13,653	6,423
Total changes in operating assets and liabilities		**(531,775)**	**119,136**
Net cash provided by operating activities		**(444,246)**	**313,045**
Cash flows from investing activities			
(Purchase of)/proceeds from investments available for sale		117,842	(46,947)
(Purchase of)/proceeds from sale of investments held to maturity		262,715	(117,885)
(Purchase of)/proceeds from investments at fair value through profit and loss		(89,047)	0
(Purchase)/sale of tangible and intangible assets, net		(24,344)	(11,027)
Dividends received		206	3,830
(Increase)/decrease in investment in Associates	21	0	0
Net cash from/(used in) investing activities		**267,372**	**(172,029)**
Cash flows from financing activities			
(Decrease)/increase of borrowings		(11,568)	(21,386)
Proceeds from issue of shares		0	80,000
Net cash provided by/(used in) financing activities		**(11,568)**	**58,614**
Net increase/(decrease) in cash and cash equivalents		**(188,442)**	**199,631**
Cash and cash equivalents at beginning of period	**14**	**525,424**	**325,794**
Cash and cash equivalents at end of period	**14**	**336,982**	**525,424**

These financial statements have been authorized for issue by the management in March, 2012.

OTP BANK ROMÂNIA Administrația Centrală 1. Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

All amounts are expressed in RON thousands, unless otherwise stated

OTP BANK ROMANIA S.A.
Unconsolidated Statement of Changes in Equity.
For the period ended December 31, 2011

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share Capital RON '000	Share capital restatement reserve RON '000	Retained earnings/ Accumulated deficit RON '000	Total RON '000
Balance as of January 1st, 2010	**462,909**	**42,751**	**(110,219)**	**395,440**
Changes in fair value of investment securities-available for sale	0	0	6,665	6,665
Deferred tax recognized directly in equity	0	0	(1,066)	(1,066)
Net income recognized directly in equity	0	0	5,598	5,598
Net loss for the period ended December 31, 2010	0	0	(35,837)	(35,837)
Total recognized income and expense for the period	0	0	(30,239)	(30,239)
Increase in share capital	80,000	0	0	80,000
Balance as of December 31, 2010	**542,909**	**42,751**	**(140,458)**	**445,201**
Balance as of January 1st, 2011	**542,909**	**42,751**	**(140,458)**	**445,201**
Changes in fair value of investment securities - available for sale	0	0	(6,815)	(6,815)
Deferred tax recognized directly in equity	0	0	1,090	1,090
Net income recognized directly in equity	0	0	(5,725)	(5,725)
Other adjustments	0	0	178	178
Net loss for the period ended December 31, 2011	0	0	(1,980)	(1,980)
Total recognized income and expense for the period	0	0	(7,705)	(7,705)
Increase in share capital	0	0	0	0
Balance as of December 31, 2011	**542,909**	**42,751**	**(147,984)**	**437,675**

1. GENERAL OVERVIEW ON BANK AND ITS OPERATIONS

OTP BANK ROMANIA SA (hereinafter the "Bank" or "OTP Romania") was established as a private bank in 1995, under the official name "Banca Comercială RoBank S.A. and Trade Register number J40/10296/1995. In July 2004, OTP Bank Ltd (Hungary) became the main shareholder of the Bank and in July 2005 the Bank was officially registered with the Romanian Trade Register under the name "OTP Bank Romania S.A."

The Head Office of the Bank is seated in 66-68 Buzești Street, District 1, Bucharest, Romania
The Bank's tax identification number is RO 7926069

Members of Statutory and Supervisory Boards as at 31 December 2011

Board of Directors (BD):

László Diósi – Chairman of The Management Board and CEO
János Komorowicz – Vice-Chairman of The Management Board and Deputy CEO
György Bodó – Member of The Management Board and Deputy CEO
Gábor István Ljubičić – Member of The Management Board and Deputy CEO
Francisc Csaba Bakk – Member of The Management Board and Deputy CEO

Supervisory Board (SB):

Antal Pongrácz – Chairman of The Supervisory Board
Annus Szabolcs – Vice-Chairman of The Supervisory Board
Enikő Zsakó – Member
Szabó Zsolt – Member
Zsolt Wieland – Member
Ákos Monostori – Member

The Bank is managed by the Chief Executive Officer (CEO), who also acts as Chairman of Board of Directors. In his absence, the CEO is fully represented by his representatives (other members of the Bank's Board of Directors).

Scope of the Business:

The Bank holds universal banking license issued by the National Bank of Romania ("NBR" or "National Bank of Romania") and carries out business in Romania.
The basic activity of the Bank is the provision of a wide range of banking and financial services to various entities, mainly to large and medium enterprises, private individuals, and institutional customers.
The Bank's core scope of business, under the banking authorization from the NBR, is as follows:

- Other activities representing intermediation of money – acceptance of deposits and other repayable funds;
- Lending including, inter alia: consumer credit, mortgage credit, factoring with or without recourse, financing of commercial transactions, including forfeiting;
- Money transmission services;
- Issuing and administering means of payment, such as credit cards, travelers' cheques and other similar means of payments, including issuing of electronic money;
- Issuing guarantees and commitments;
- Trading for own account and/or for account of clients, according to law, in:
    - Money market instruments, such as: cheques, bills, promissory notes, certificates of deposit;
    - Foreign exchange;
    - Transferable securities and other financial instruments;
    - Exchange and interest rate instruments;

- Consultancy related to capital structure, business strategy and other related issues, consultancy and other services related to mergers and purchase of undertakings as well as other advice services;
- Intermediation on the inter-banking market;
- Credit reference services related to provision of data and other credit references;
- Safe custody services;
- Operations with precious metals, gems and objects thereof;
- Acquiring of participations in the capital of other entities.

The Bank is authorized to operate any other activities or services that are included in the financial field, abiding by the special laws regulating those activities, where appropriate:

- Depositing assets of investment funds and investment companies;
- Distribution of investment funds' units and investment companies' shares;
- Data processing services, database management or other such services for third parties;
- Carrying out automatic payment operations in the accounts of customers (both natural and legal entities), under the mandate granted by clients in this respect;
- Safekeeping and administration of the financial instruments;
- Participation in securities issues and other financial instruments by underwriting and selling them or by selling them and the provision of services related to such issues;
- Acting as agent in case of syndicated loan transactions and of the loans granted by non-resident banks;
- Portfolio management and advice;
- Managing portfolio of movable and/or immovable assets, which are the property of the credit institution, but are not used for the performance of its financial activities;
- Non-financial mandate or commission operations, especially in the account of other entities within the group the Bank relates, respectively:

- Bank assurance activity, according to the provisions of Law 32/2000 on insurance companies and insurance supervision, with the subsequent amendments and supplements;
- Mandate operations: acting as marketing agent for the voluntary pension funds.

Shareholders Structure:

The majority shareholder of the Bank, OTP Bank Nyrt. Hungary (Országos Takarékpénztár És Kereskedelmi Bank Részvénytársaság) is listed on the Budapest Stock Exchange and fully consolidates the Financial Statements of OTP Bank Romania S.A. The registered Head Office of the parent company is: 16 Nador Street, Budapest, 1051, Hungary.

As at December 31, 2011, the shareholders' structure of the Bank was the following:

Shareholder's Name	Percentage of ownership	Number of shares	Amount (RON)
1. Országos Takarékpénztár és Kereskedelmi Bank Nyilvánosan Működő Részvénytársaság	99.99982317%	2,262,117	542,908,080
2. Merkantil Bank Zrt.	0.000177%	4	960
Total	**100%**	**2,262,121**	**542,909,040**

Organizational Structure and Number of Employees

As at 31 December 2011, the Bank's network structure comprised 101 units (57 branches and 44 agencies) distributed in all counties of Romania.

The total number of Bank's employees as of 31 December 2011 is 975 (December 31, 2010: 1,105).

All amounts are expressed in RON thousands, unless otherwise stated

2. CAPITAL ADEQUACY AND REGULATORY REQUIREMENTS

The bank calculates capital adequacy based upon the regulations issued by the National Bank of Romania (NBR). In administration of its regulatory capital, the Bank aims to ensure an adequate level of business prudence and assets and liabilities monitoring, as well as to continuously maintain the Bank's regulatory capital above the minimum level required by the NBR. To accomplish this, when preparing the yearly business plan the Bank also prepares a plan of adequacy of regulatory capital considering its business objectives and applying the knowledge gained from previous experience.

In 2011, the Bank monitored the development of requirements for regulatory capital and prepared reports on the required levels of the Bank's regulatory capital on a monthly basis. These reports have been submitted to the National Bank of Romania and to the Board of Directors' meetings for periodical analysis.

The regulatory capital of the Bank's financing is stipulated by the provision of the NBR and comprises:

- The Bank's basic regulatory capital and additional regulatory capital (including subordinated debt) less the value of deductible items under a special regulation;
- Supplementary regulatory capital.

The Bank has complied with the capital adequacy ratio required by the National Bank of Romania (NBR) as at 31 December 2011 as well as at 31 December 2010.
The bank is also subject to other regulatory requirements of the NBR, including those pertaining to lending limits, liquidity, foreign currency exposure, interest rate risk etc.
Starting with January 1st 2008, the Bank applies provisions of National Bank of Romania (NBR) – National Committee of Securities (CNVM) regulations harmonized with Basel requirements, which state that the minimum capital adequacy ratio is 8%.

Capital management

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. The Bank's capital level planning process is based on a regular capital structure analysis and a forecast which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Bank.
This analysis principally leads to adjustments of the level of the Bank's dividend pay-out, identification of future capital needs and maintenance of a balanced capital composition.
The Bank's capital principally consists of the following balances: share capital, reserve funds, and cumulated losses from prior years
The National Bank, as the local regulatory authority, oversees the Bank's compliance with the capital adequacy ratio on a stand-alone basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Basis of Preparation

Statement of Compliance

These separate financial statements include unconsolidated statement of financial position, unconsolidated income statement, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity, unconsolidated statement of cash flows and notes to the separate financial statements.

The separate financial statements of the Bank for the period ended 31 December 2011 and comparative data for the period ended as at 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all periods presented.

The accompanying separate financial statements are prepared in terms of the purchasing power of the Romanian New Leu (RON) as of December 31, 2011 and are expressed in thousands Romanian Lei (RON), rounded to the nearest thousand. The Bank's management assessed the functional currency of the Bank to be RON, which is also the presentation currency of these financial statements.

In 2011, the Bank adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods commencing 1 January 2010. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies that have affected the amounts reported for the current or prior year.

The Bank decided not to adopt any of the standards or interpretations before the date of their effectiveness which were prepared for issue as at the date of the authorization of these financial statements, but not yet effective.

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- Amendments to IFRS 1 "First-time Adoption of IFRS"- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010);

- Amendments to IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011);

- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010);

- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/ interpretation);

- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011);

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", adopted by the EU on 23rd of July 2010 (effective for annual periods beginning on or after 1st of July 2010).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Bank's accounting policies.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015);
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013);
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013);
- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after 1 January 2013);
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013);
- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures;
- Amendments to IAS 1 "Presentation of financial statements" -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012);
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application, except for the potential impacts of IFRS 9 which might be difficult to estimate. The adoption of these standards and interpretations in future periods is not expected to have a material impact on the Bank's profit or equity, except for the potential impacts of IFRS 9 which might be difficult to estimate.

3.2 Key sources of estimation uncertainty

The presentation of financial statements in conformity with IFRS requires the management of the Bank to make judgments about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules or/ and other factors could result in a change in estimates that could have a material impact on the reported financial position and results of operations.

Significant areas of subjective judgment include:

- Provisioning for incurred credit losses and identified contingencies involve many uncertainties about the outcome of those risks and require the management of the Bank to make many subjective judgments in estimating the loss amounts.
- Where no legal requirements are available, the amounts recognized as provisions for other liabilities and other assets are based on the management's judgments and represent the best estimate of receivables/expenditures required to settle an asset/liability of uncertain timing or amount resulting from a right/obligation.
- Income tax rules and regulations have undergone significant changes in recent years and there are little historical precedent or interpretative rulings on a number of complex issues affecting the banking industry. Also, tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Accordingly there is a high level of inherent uncertainty about the ultimate outcome of examinations by the tax authorities.
- In connection with the current economic environment, based on currently available information the management has considered all relevant factors which could have effect on valuation and impairment of assets and liabilities in these financial statements, impact on the liquidity, funding of operations of the Bank and other effects these may have on financial statements. All such impacts, if any, have been reflected in these financial statements. There is a high level of uncertainty about future development which could result in material change in market value of securities and increased impairment of assets. The management of the Bank continues to monitor the situation and further possible impact of financial crisis and economic slowdown on its operations.

3.3 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.4 Separate and consolidated financial statements

The Bank is part of the consolidation group of OTP Group. Consolidated financial statements for all groups of consolidation group entities are prepared by Országos Takarékpénztár és Kereskedelmi Bank Nyilvánosan Működő Részvénytársaság, the parent company with its seat at Nádor utca 16, 1051 Budapest, Hungary (OTP Bank Nyrt.). OTP Bank Nyrt. is also an immediate consolidating entity of the Bank.

3.4.1 Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known

as the parent). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
According to IAS 27 (Consolidated and separate financial Statements), a parent need not present consolidated financial statements if and only if:

- The parent is itself a wholly-owned subsidiary, or the parent is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not preparing consolidated financial statements;

- The parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

- The parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market;

- The ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

All conditions mentioned above are met and ultimate parent company OTP Bank PLC is in the process of finalizing the preparation of consolidated financial statements as at December 31, 2011 which is expected to be available for public use on internet address: www.otpbank.hu as of April 2012

3.4.2. Associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The associate is presented at cost less impairment. For details related to Bank's subsidiaries and Affiliates please refer to Note 21.

3.5 Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in income statement at the date of settlement using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are expressed in RON at the balance sheet date.

For reference purposes we present below the exchange rates applicable at the end of the reporting periods for major foreign currencies:

	RON / CHF	RON / USD	RON / EUR	RON / 100 HUF
Exchange rate as at December 31, 2011	3.5528	3.3393	4.3197	1.3881
Exchange rate as at December 31, 2010	3.4211	3.2045	4.2848	1.5391

Unrealized foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement (Please see Note 10)

3.6 Interest Income and Expense

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.7 Fee and commission income and expense

Fees and commissions are recognized as income or expense in the profit or loss account on accrual basis, as they are earned.

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 65

Fees and commission income consist mainly of fees received for foreign currency transactions, loans and issuing of guarantees and letters of credit. Fee and commission expenses mainly comprise of commissions from interbank and cards transactions value's' commissions, legal fees or insurance premiums charges.

Revenue from various services the Bank performs is recognized when the following conditions are satisfied:

- Persuasive evidence of an arrangement exists;
- The services have been rendered;
- The fee or commission is fixed or determinable;
- Collectability is reasonable assured.

The recognition of revenue for **financial service fees** depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument. Therefore, in accordance with IAS 18, the difference is made between:

- **fees that are integral part of the effective interest rate of a financial instrument**

Such fees are generally deferred and recognized as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with the change in fair value recognized in profit or loss the fees are recognized as revenue when the instrument is initially recognized.
This category includes origination fees received by the entity relating to the creation or acquisition of a financial asset, such as: evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

- **fees earned as services are provided**

All fees within this group are deferred in balance sheet as other liabilities and amortized on straight-line basis over related period (as fee revenues).

The service-related fees include, in particular, fees charged by an entity for servicing a loan. For example, in case of revolving lines of credit (where the borrower has the option to make multiple borrowings up to a specified maximum amount, to repay portions of those borrowings, and then re-borrow under the same contract) net fees are recognized as fee revenues on a straight-line basis over the period the revolving line of credit is active.

- **fees earned on the execution of a significant act.**

This treatment is applicable to wide range of standard banking services and related fees (money transfers, foreign currency exchange, etc.) and fees charged due to additional services performed upon client's request (fee for an agreement copy, fee for agreement change upon borrower's request, etc.).

Such fees are treated as one-off fees related to specific service that is provided by the Bank and therefore accounted for on cash basis.

3.8 Financial assets

3.8.1 Classification

According to IAS 39 (Financial Instruments: Recognition and Measurement) the Bank classifies its financial assets into the following categories:

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

- **At Fair value through Profit and Loss (FVTPL)**

A FVTPL asset is either a financial assets that is designed on initial recognition as one to be measured at fair value with fair value changes recognized in Profit or Loss (this designation is irrevocable), or a financial asset classified as held for trading.

The Bank's management opted for the first category – FVTPL not designated as trading - when designating the investments in units of funds

- **Treasury securities – held to maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity.

- **Investment securities – available for sale**

Available-for-sale financial assets are non-derivative financial assets that the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices.

3.8.2 Financial instruments - initial recognition, measurement and de-recognition

The Bank initially recognizes its financial assets at their fair value plus transaction costs (for the financial assets not carried at fair value through profit and loss) that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets are derecognized when the Bank's rights to receive cash flows have expired or when it has substantially transferred all risks and rewards of ownership.

Accordingly, purchase of held-to-maturity and purchase and sale of available for sale financial assets are recognized on the trade date (the date when the Bank commits the purchase or sell), and loans are recognized when cash is advanced to the borrowers.

According to IAS 39, the election to designate a financial instrument as FVTPL has to be made at initial recognition of the financial instrument and cannot subsequently be revoked. A financial instrument may upon initial recognition be designed as at FVTPL only if it meets certain conditions specified by IAS 39.

3.8.3 Subsequent measurement and fair value

After initial recognition, a Bank shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- Loans and receivables as defined in Note 3.8.1, which shall be measured at amortized cost using the effective interest rate method;
- Held-to-maturity investments as defined in Note 3.8.1, which shall be measured at amortized cost using the effective interest rate method;
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which shall be measured at cost. Investments quoted are measured at fair value which represent quoted price on Stock Exchange.

3.9 Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The policy related to impairment of loans is specifically disclosed in caption Loans and advances to customers.

With the exception of Available-for-Sale (AFS) equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.10 Loans and advances to customers

At the origination of a financial instrument, it is assumed that the Bank concludes transaction on market terms; therefore value at which it will be initially recognized in books will be equal to the net cash flow paid or received by the Bank. Loans and receivables are subsequently measured at amortized cost using the effective interest method, and are subject to impairment testing.

When financial assets are impaired by credit losses the Bank records the impairment in a separate account - a provision account rather than directly reducing the carrying amount of the asset.

Consequently, loans are presented on the balance sheet at their outstanding unpaid principal balances net of charge offs, unamortized premiums or discounts, net deferred fees or costs on originated loans and the allowance for loan losses

Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. All loans and advances are recognized when cash is advanced to borrowers.

3.10.1 Impairment of loans

OTP Bank Romania establishes loans loss allowances and provisions using a methodology of impairment identification and measurement in accordance with IFRS requirements (IAS 39).

3.10.2. Specific provision

According to paragraph 64 of IAS 39, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

For determining whether a specific exposure is individually significant (for the risk management process or/and financial reporting), first there were established materiality thresholds. Objective evidence about impairment includes observable data that comes to the attention of the Bank.

The created provision corresponds to the difference between the carrying amount of the exposure and the net present value of estimated future cash flows, assuming that the exposure will default and undergo a collateral collection process. These cash flows account for projected principal and interest payments made by the borrower, collateral collection, reduced by any costs related to the collection process. In order to calculate their present value, expected cash flows are discounted using the effective interest rate.

If the Bank determines that no objective evidence of impairment exists for an individually assessed exposure, it includes the exposure in a group of assets with similar credit risk characteristics and collectively assesses them for impairment.
The exposures that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

3.10.3. Collective provision

As per IAS 39, the Bank calculates the required loan loss provision collectively for

loans that are not individually significant as well as for loans that are individually significant but for which no objective evidence of impairment exists at the balance sheet date. This is achieved by including the loans in a group with other loans which have similar credit risk characteristics.
Based on current approach to the credit risk in the Bank, it has been decided that main division of exposures would be into the following portfolios:

- Corporate clients
- Retail
- SME

Subsequently, it was determined that retail portfolio consists of several products that have different risk profile mainly due to the loan purpose and collateral type. Therefore, based on the experience of the Bank's retail credit exposures are further divided into three sub portfolios:

- Personal loans
- Mortgage loans
- Overdrafts and credit cards

Additionally, each sub portfolio is divided into five more homogenous groups (buckets) based on the number of days overdue, the last bucket representing the default bucket, as follows: 0DPD, 1-30 DPD, 31-60 DPD, 61-90 DPD, 91 – 365 DPD and over 1 year.

The collective assessment is based on transaction approach, meaning that each loan is taken into consideration separately no matter how many loans a specific client has.

For collective assessment of impairment, the amount of impairment loss expected by the Bank is computed on each separate exposure using a formula based on the below mentioned parameters, as follows:

Probability of default

For a given bucket, probability of default represents the ratio of clients for which default occurred during a given time horizon to the total number of clients which are not in default at the beginning of that horizon.

Recovery indicator

The recovery indicator parameter informs what fraction of transactions that have been in default, exited default in a natural manner (without collateral collection) during a given t-month horizon.

Loss Amount

Loss Amount (LA) in collective assessment relates to loss of the Bank in case of defaulting and non-returning to the normal (non-default) situation. Such cases mainly involve necessity of hard collection process and strictly depend on collaterals.

Exposure at default

The exposure at default (EAD) represents the amount the bank can expect to lose, on average, over the period of time in which it extends credits. This estimate includes on-balance items as well as off-balance items (free lines, contingent claims and potential future exposure), the latter typically weighted by the so-called CCF (credit conversion factor).

Gross amortized cost

EAD for balance sheet exposure is represented by the gross amortized cost (GAC) that is the carrying amount of loan that would have been if the impairment had not been recognized.

3.11 Tangible and intangible assets

Property, plant and equipment that qualify for recognition as tangible assets are initially measured at cost. Subsequent to initial recognition as assets, land, buildings and other fixed assets are stated at their restated cost less accumulated depreciation value and accumulated impairment losses.

Intangible assets are measured at restated cost less accumulated amortization, over their estimated useful life ranging from 2 to 5 years. Intangibles represent licenses and purchased or in-house developed software. The Bank mainly includes in this category the software developments which are amortized over a period of 3 years, having an annual amortization rate of 33%.

Depreciation/amortization of tangible and intangible assets is charged to the income statement line "Operating expenses".
Depreciation/amortization commences in the following month after such assets are put into use. Land and works of art are not depreciated.
Assets-in-progress are not depreciated until they are placed into use. Maintenance and repairs are expensed when incurred and improvements are capitalized.
All tangible and intangible assets except for land are depreciated using the straight-line method to allocate their costs to their residual value over their estimated useful lives, as presented below:

Type of Assets	Useful life in years	Depreciation rate per annum in %
ATMs	8	12.5%
Telecommunication equipment	5	20%
Fixture, fittings and office equipment	3	33%
Computers	3	33%
Heavy bank program (safes)	20	5%
Transportation means	4	25%
Air-conditioning facilities	5-8	20% - 12.5%
Buildings and structures	10-50	10%-2%

The carrying values of property, equipment and software are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.
At the balance sheet date the Bank reviews the carrying value of its non-current tangible assets, estimated useful life and method of depreciation. The Bank also reassesses the recoverable amount in order to determine the extend (of any) of the impairment loss.
Where the carrying amount of premises and equipments is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount through the income statement.
Where the estimated recoverable amount exceeds the carrying amount of an asset, a provision for impairment loss is released through the income statement.

At balance sheet date, the Bank assesses as well whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or has decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. If the estimated recoverable amount exceeds the carrying value of an asset, a reversal of an impairment loss is recognized in the income statement.

3.12 Leasing

A Lease is defined as an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for the agreed period of time (IAS17:4).
Leases can be accounted as financial or operational leases, depending on whether the

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lease in question is simple short-term hire arrangement (an operating lease), whereby rentals are dealt with in profit or loss with the only impact on the statement of financial position relating to the timing of payments, or whether the lease is similar in nature to an arrangement for financing the acquisition of an asset (a finance lease), where the financial statements presentation will depart from the legal form of the transaction and be based on the economic substance, i.e as if the asset had been purchased by the user.
For details please refer to Note 33.

3.13 Interest bearing Borrowings and borrowing costs

Borrowings are initially measured at Fair value. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost, with any difference between cost and redemption value being recognized in income over the period of the borrowings.
Costs for the amounts borrowed are recognized in profit and loss in the period in which they occur.

3.14 Derivative Financial Instruments

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forward and swap agreements. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are initially recognised at acquisition cost, which includes transaction expenses and which is subsequently re-measured to fair value. Fair values of derivatives are determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve and foreign currency translations using the ECB rates valid on the calculation day. Fair values of derivative transactions are determined in parts.

Changes in the fair value of derivative financial instruments that are not defined as hedging derivatives are recognised in the statement of income in "Foreign exchange gains and losses, net".

3.15 Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit reported in the statutory financial statements, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.
Deferred tax is provided for in full, using the liability method, on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts in the financial statements (Please see Note 27 for details).
Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 16%. (2010:16%).

3.16 Contingencies

A contingent liability is:
(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank;

(b) A present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank.

A contingent asset is not recognized in the accompanying financial statements but is disclosed when an inflow of economic benefits is probable.

3.17 Provisions

A provision is recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect in financial statements of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

3.18 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand, current accounts and deposits at banks, placements with banks and with the National Bank of Romania and treasury bills issued by the Government of Romania with an original maturity of less than 90 days, if any. Restricted assets, including compulsory reserves, are excluded.

3.19 Related parties

Counterparty is considered related to the Bank if:

(a) Directly, or indirectly through one or more intermediaries, the party:
- (i) Controls, is controlled by, or is under common control with, the bank (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) Has an interest in the Bank that gives it significant influence over the Bank; or
- (iii) Has joint control over the bank.

(b) The party is an associate of the bank (as mentioned in Note 3.4.2);
(c) The party is a joint venture in which the Bank is a venturer;
(d) The party is a member of the key management personnel of the bank or its parent;
(e) The party is a close member of the family of any individual referred to in (a) or (d);
(f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) The party is a post-employment benefit plan for the benefit of employees of the bank, or of any entity that is a related party of the Bank.

3.20 Employee benefits

Short-term employee benefits:
Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expenses when the services are rendered.

Post-retirement benefits:
The Bank pays the contribution to the Romanian State funds on behalf of its employees for health care, pension and unemployment benefits.
The Bank's contributions relating to defined contribution plans are charged to income statement in the period to which they relate.

3.21 Comparatives

Where necessary, certain reclassifications have been made to December 31, 2010 balances to conform to the presentation as of December 31, 2011.

3.22 Subsequent events

Post-reporting date events that provide additional information about the Bank's position as of the balance sheet date (adjusting events) are reflected in the financial statements. Post- reporting date events that are not adjusting events are disclosed in the notes when they have material effect over the financial statements.

3.23 Going concern

These financial statements have been prepared on a going concern basis. The Bank's ability to continue as a going concern is dependent on its ability to generate sufficient future cash flows and profit in order to meet capital requirements, finance normal operations and to comply with regulatory requirements.
The Bank is in the process of a transformation with objective to create a modern full service, profitable commercial bank with a significant market share. This development involves investments to modernizing the IT system, launching new customized products on the market and investment in human resources.

Management is confident that financial support will be provided by the shareholders, if required, and that the Bank will be able to generate sufficient future cash flow to continue its operations in the foreseeable future.

3.24 Basic earnings per share

The Bank reports earnings per share attributable to the holders of ordinary shares. The Bank calculated earnings per share on ordinary shares by dividing profits attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Details of Earnings per Share (EPS) are presented in Note 29.

4. RISK MANAGEMENT

The primary risks associated with financial instruments that the Bank faces are :

- Credit risk
- Interest rate risk
- Market risk – which refers to exposures to market factors as interest rate, exchange rates and equity markets
- Liquidity risk

Other risks managed by bank are operational risk, reputational risk and risk due to outsourcing activities.

The "Risk Management" Note presents information's related to Bank's exposure to each type of risk mentioned above, its' objectives, policies as well as assessment and management processes.
Bank's risk related policies and management approach are assessed periodically and updated to the changes that occurred on each analyzed area of activity.

4.1 Market Risk Management

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, equity risk and other price risks.
During 2011 the bank didn't managed a trading book portfolio, so the market risk only refers to foreign exchange risk for the whole balance sheet. Although, considering the bank intention to initiate trading activities in the near future, the Bank's objective in market risk management is to ensure appropriate management of the risks generated by the trading activities, through the implementation of procedures, models and adequate application of monitoring and risk control related with the trading activities.

Market Risk Department, as part of the Risk Division, has the following responsibilities:

- To monitor the compliance with the existing limits, but also to report any exceeding to the bank's management;
- To revise and submit for approval any application/request of new limits establishment;
- To prepare and to transmit consolidated reports regarding market risks towards/to the Risk Management Committee and Board of Directors.

4.1.1 Interest Rate Risk (Banking book)

Interest rate risk is the risk of recording losses or not to achieve expected profits as a result of fluctuations in market interest rates. The management of this risk concerns balance sheet items, as well off balance sheet items sensitive to changes in interest rates.

OTP Bank Romania assumes a conservative approach towards risks and has implemented in this regard a risk management system that identifies, evaluates, manages and controls the risks related to its activity in a prudent manner. Regarding the interest rate risk on the banking book, the bank manages its exposure with the aim of limiting the potential losses due to unfavorable fluctuations of the interest rates, in such a way that these losses do not threat the profitability of the bank, the own funds or the safety of operations.

The Bank gives loans with mainly variable interest rate indexed by reference (e.g. Euribor, Robor) and aims to harmonize the financing structure with the structure of assets and other liabilities so as to maintain a low interest rate risk exposure.

The monitoring of the exposure to interest rate risk of banking book and the compliance with the internal limits is done at least monthly, within the Asset and Liability Management Committee. For the assessment of the interest rate risk on the banking book, the bank uses re-pricing gap analysis, modified duration analysis and stress test scenarios estimating the possible effects of interest rate changes on bank profits and economic value. The methodology used for measuring the impact of an interest rate shock in the economic value of the bank is the one from the NBR Reg. 18/2009.

At December 2011, the bank had a low exposure at the interest rate risk on the banking book.

Weighted average effective interest rates (%) for loans to customers were as follows:

Loans granted to customers	December 31, 2011				December 31, 2010			
	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	11.24	8.43	16.48	5.96	11.57	14.27	20.69	N/A
Personal loans with mortgage	6.24	6.05	12.70	N/A	6.24	5.16	14.5	N/A
Housing	6.06	5.96	12.75	N/A	5.97	5.05	14.14	N/A
Car loans	8.51	12.51	11.19	N/A	8.11	11.35	11.78	N/A
Corporate loans	2.66	4.29	4.66	1.87	5.6	5.55	8.84	7.73

The impact in the economic value of the bank due to potential changes in interest rates is presented below:

	December 31, 2011	December 31, 2010
Impact in the economic value of the bank of a 200 bp interest rate shock (Ths. RON)	20,504	22,580
Own funds (Ths. RON) IFRS	437,675	445,201
Exposure (% of Own funds)	4.68%	5.07%

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The table below provides information on the extent of the Bank's interest rate exposure based on the residual maturity date of its financial instruments. It is the Bank's policy to manage its exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet. Interest bearing assets and liabilities of the Bank are analyzed below into relevant re-pricing groups as of December 31, 2011 and December 31, 2010:

December 31, 2011	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**Total**
ASSETS						
Cash and cash equivalents	165,318	0	0	0	0	165,318
Current accounts and deposits at banks	171,666	0	0	0	0	171,666
Accounts with the National Bank of Romania	390,575	0	0	0	0	390,575
Treasury securities	22,778	29,977	43,110	122,987	19,804	238,656
Loans, net	554,565	786,838	1,114,859	25,357	24,692	2,506,312
Derivatives	3,119	94	0	0	0	3,214
Total assets	**1,308,020**	**816,910**	**1,157,970**	**148,344**	**44,496**	**3,475,741**
LIABILITIES						
Due to Banks	65,790	0	0	0	0	65,790
Demand deposits banks	45,485	0	0	0	0	45,485
Time deposits banks	*20,305*	*0*	*0*	*0*	*0*	*20,305*
Due to customers	1,921,811	734,817	98,068	18,569	2,338	2,775,604
Demand deposits customers	432,750	0	0	0	0	432,750
Time deposits customers	*1,489,061*	*734,817*	*98,068*	*18,569*	*2,338*	*2,342,854*
Borrowings	109	3,356	19,809	0	0	23,275
Derivatives	0	0	335,086	0	0	335,086
Total liabilities	**1,987,710**	**738,173**	**452,963**	**18,569**	**2,338**	**3,199,754**
Net assets interest rate sensitivity	(679,690)	78,737	705,006	129,775	42,158	275,987
Net assets cumulative interest rate sensitivity	**(679,690)**	**(600,953)**	**104,054**	**233,828**	**275,986**	**0**

December 31, 2010	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**Total**
ASSETS						
Cash and cash equivalents	168,990	0	0	0	0	168,990
Current accounts and deposits at banks	356,434	0	0	0	0	356,434
Accounts with the National Bank of Romania	383,816	0	0	0	0	383,816
Treasury securities	7,952	15,261	349,994	128,762	0	501,970
Loans, net	479,185	629,135	1,079,582	9,099	1,846	2,198,847
Derivatives	22	0	13,496	0	0	13,518
Total assets	**1,396,399**	**644,396**	**1,443,072**	**137,862**	**1,846**	**3,623,576**
LIABILITIES						
Due to Banks	238,781	10,000	0	0	0	248,781
Demand deposits banks	*42,625*	*0*	*0*	*0*	*0*	*42,625*
Time deposits banks	*196,156*	*10,000*	*0*	*0*	*0*	*206,156*
Due to customers	1,932,214	818,405	64,332	14,913	1,656	2,831,520
Demand deposits customers	*574,101*	*0*	*0*	*0*	*0*	*574,101*
Time deposits customers	*1,358,112*	*818,405*	*64,332*	*14,913*	*1,656*	*2,257,419*
Borrowings	96	4,141	30,606	0	0	34,843
Derivatives	0	0	312,775	0	0	312,775
Total liabilities	**2,171,090**	**832,546**	**407,713**	**14,913**	**1,656**	**3,427,918**
Net assets interest rate sensitivity	(774,692)	(188,150)	1,035,360	122,949	190	195,658
Net assets cumulative interest rate sensitivity	**(774,692)**	**(962,842)**	**72,518**	**195,467**	**195,657**	**0**

All amounts are expressed in RON thousands, unless otherwise stated

4.1.2 Interest Rate Risk (Trading book)

The interest rate risk refers to the fluctuation in the value of financial instruments included in the trading book due to the changes in market interest rates. During 2011 the bank didn't hold trading positions on financial instruments exposed to interest rate risk. Bank's strategy for interest risk management includes continuous assessment of Treasury deals on monetary and exchange market (approved currencies and agreed/ approved counterparties) as well as approved transaction limits settled by the Risk Management Committee. A VaR limit for the fixed income instruments included in the trading book will be also established.

4.1.3 Currency Risk

Currency risk is the risk of loss resulting from changes in exchange rates.
The currency fluctuations induce the risk of losses in value in respect of net monetary assets.
The Bank manages its exposure to movements in exchange rates by permanently adjusting its assets and liabilities mix, based on the market movements in exchange rates. The bank may trade currencies and take positions in the followings currencies: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, and NOK.
Regarding the money market and currency market operations, the risk profile is a reduced one, being unitary managed by using Kondor+ and Market Risk Portal by OTP Bank Hungary.
The currency position managed according to the internal rules and also considering the NBR regulations. There is a VAR system which monitors this position throughout OTP Group in a module Kondor+ system. The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

The FX net open position limits are assigned by the Bank and are much lower than the prudential limits imposed by the National Bank of Romania. The exposure to the limits is monitored on a daily basis by Market Risk department.

December 31, 2011							
FX	**Assets**	**Liabilities and equity**	**Net position of balance sheet**	**Net position of off-balance sheet**	**Total**	**Gains (losses) incurred for a change of +1% in currency exchange rate**	**Gains (losses) incurred for a change of -1% in currency exchange rate**
USD	52,213	55,837	(3,624)	3,455	(169)	2	(2)
EUR	1,604,289	670,441	933,848	(1,159,623)	(225,775)	2,258	(2,258)
CHF	575,796	28,805	546,991	(514,407)	32,584	(326)	327
Other	10,674	9,697	976	(1,031)	(55)	0	0
HUF	11,502	14,941	(3,439)	3,452	13	(0)	(0)
Total	**2,254,474**	**779,722**	**1,474,752**	**(1,668,154)**	**(193,402)**	**1,933**	**(1,933)**

December 31, 2011							
FX	**Assets**	**Liabilities and equity**	**Net position of balance sheet**	**Net position of off-balance sheet**	**Total**	**Gains (losses) incurred for a change of +1% in currency exchange rate**	**Gains (losses) incurred for a change of -1% in currency exchange rate**
USD	48,192	78,396	(30,204)	26,297	(3,907)	(39)	39
EUR	1,780,156	848,759	931,397	(1,033,995)	(102,598)	(1,026)	1,026
CHF	689,503	125,194	564,309	(548,476)	15,833	158	(158)
Other	7,388	6,838	550	(497)	53	0	0
HUF	5,232	23,171	(17,939)	17,600	(339)	(3)	3
Total	**2,530,471**	**1,082,358**	**1,448,113**	**(1,539,070)**	**(90,957)**	**(910)**	**910**

From the total loans to non-banking clients as at 2011 year-end, 81.7% were other currency loans, mainly EUR and CHF (the equivalent of RON 2,060,648 thousands). Loans granted by the Bank in RON as at the year-end represented only RON 631,487 thousands. On the other hand, the most important part of term deposits due to non-banking clients comprises RON deposits taken from OTP Financing Netherlands B.V. (member of OTP Bank Plc group) representing RON 1,077,000 thousands. These deposits have contractual maturities between 5 and 7 years (remaining maturities of 2 to 4 years).

In order to cover the currency position mismatch due to the significant portion of financing sources received in RON while most important part of placements were made in foreign currency, the Bank entered into derivative transactions with mother-company during year 2008. The notional value of these transactions as at 31.12.2011 was 1,065,721 thousands and the contractual maturities are of 5 and 7 years, respectively (remaining maturities of 2 and 4 years).

Below, in the following table there is summary of the Bank's exposure to foreign currency exchange rate risk as of December 31, 2011 and December 31, 2010. Included in the tables are the Bank's assets and liabilities at carrying amounts, structured by local and main foreign currencies.

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 77

December 31, 2011	EUR	USD	CHF	HUF	OTHER FCY	Total FCY	RON	Total
ASSETS								
Cash	47,123	19,423	4,720	9,935	5,695	86,896	78,422	165,318
Current accounts and deposits at banks	16,624	31,139	384	1,566	4,894	54,608	117,058	171,666
Accounts with the National Bank of Romania	134,569	0	0	0	0	134,569	256,006	390,575
Securities held-to-maturity	44,047	0	0	0	0	44,047	194,609	238,656
Loans and advances to customers, net	1,357,437	1,594	567,812	0	0	1,926,842	579,469	2,506,312
Investment securities - Available for sale	2,269	0	0	0	0	2,269	7,109	9,378
Investment securities at fair value through profit and loss	0	0	0	0	0	0	89,047	89,047
Investment in Associates and Subsidiaries	0	0	0	0	0	0	210	210
Tangibles and intangibles assets, net	0	0	0	0	0	0	136,478	136,478
Derivatives	0	0	0	0	0	0	3,214	3,214
Other assets, net	2,220	58	2,880	1	85	5,243	21,794	27,037
Total assets	**1,604,289**	**52,213**	**575,796**	**11,502**	**10,674**	**2,254,474**	**1,483,415**	**3,737,889**
LIABILITIES								
Due to Banks	44,929	0	0	37	0	44,966	20,824	65,790
Demand deposits banks	24,624	0	0	37	0	24,661	20,824	45,485
Term deposits banks	*20,305*	*0*	*0*	*0*	*0*	*20,305*	*0*	*20,305*
Due to customers	582,660	52,418	8,985	14,905	9,697	668,665	2,106,939	2,775,604
Demand deposits customers	134,286	11,654	6,891	5,143	1,597	159,571	273,179	432,750
Term deposits customers	*448,374*	*40,764*	*2,094*	*9,762*	*8,100*	*509,094*	*1,833,760*	*2,342,854*
Borrowings	19,888	3,387	0	0	0	23,275	0	23,275
Derivatives	0	0	0	0	0	0	335,086	335,086
Deferred tax liability, net	0	0	0	0	0	0	12,808	12,808
Other liabilities	22,964	33	19,820	(1)	0	42,817	44,835	87,651
Total liabilities	**670,441**	**55,837**	**28,805**	**14,941**	**9,697**	**779,722**	**2,520,492**	**3,300,214**
Net Assets / Liabilities	**933,848**	**(3,624)**	**546,991**	**(3,439)**	**976**	**1,474,752**	**(1,037,077)**	**437,675**

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2011	EUR	USD	CHF	HUF	OTHER FCY	Total FCY	RON	Total
ASSETS								
Cash	41,256	13,601	4,608	3,638	6,376	69,480	99,510	168,990
Current accounts and deposits at banks	106,311	33,717	3,527	1,593	922	146,071	210,363	356,434
Accounts with the National Bank of Romania	225,340	0	0	0	0	225,340	158,476	383,816
Securities held-to-maturity	275,436	0	0	0	0	275,436	226,534	501,970
Loans and advances to customers, net	1,104,823	801	674,856	0	0	1,780,480	418,367	2,198,847
Investment securities - Available for sale	2,918	0	0	0	0	2,918	131,118	134,036
Investment securities at fair value through profit and loss	0	0	0	0	0	0	0	0
Investment in Associates and Subsidiaries	0	0	0	0	0	0	210	210
Tangibles and intangibles assets, net	0	0	0	0	0	0	132,859	132,859
Derivatives	0	0	0	0	0	0	13,518	13,518
Other assets, net	24,070	73	0	0	89	30,747	23,855	54,601
Total assets	**1,780,157**	**48,192**	**689,503**	**5,233**	**7,388**	**2,530,473**	**1,414,809**	**3,945,282**
LIABILITIES								
Due to Banks	107,127	24,357	0	20	745	132,249	116,532	248,781
Demand deposits banks	21,425	0	0	20	0	21,445	21,180	42,625
Term deposits banks	85,702	24,357	0	0	745	110,804	95,352	206,156
Due to customers	698,542	49,823	104,018	22,933	6,092	881,408	1,950,112	2,831,520
Demand deposits customers	218,667	11,381	99,801	15,860	1,101	346,810	227,291	574,101
Term deposits customers	479,875	38,443	4,217	7,073	4,991	534,598	1,722,821	2,257,419
Borrowings	30,677	4,166	0	0	0	34,843	0	34,843
Derivatives	0	0	0	0	0	0	312,775	312,775
Deferred tax liability, net	0	0	0	0	0	0	8,366	8,366
Other liabilities	12,414	50	21,177	218	0	33,860	29,936	63,796
Total liabilities	**848,759**	**78,397**	**125,194**	**23,172**	**6,838**	**1,082,360**	**2,417,720**	**3,500,080**
Net Assets / Liabilities	**931,398**	**(30,204)**	**564,309**	**(17,939)**	**550**	**1,448,113**	**(1,002,911)**	**445,202**

4.1.4 Currency Risk

Equity risk is the risk of loss resulting from changes in the levels of equity indices and values of individual stocks.

During 2011 the bank didn't hold trading positions on equities. Trading in equities and derivatives is scheduled to commence in the near future. Bank's strategy concerning equities and derivatives trading risk management involves the monitoring of transactions limits:

- Risk limits for countries and banks;
- Limits for dealer - interbank market and operations with nonbanking customers;
- VaR and limits „Stop Loss"

4.2 Credit Risk Management

The credit risk is associated to all facilities and loans granted by the Bank, being the risk that a party to a financial transaction will be unable to fulfill its obligations thus causing financial losses to the other party.
The bank's main objective regarding credit risk management is to maintain the portfolio quality by monitoring the evolution of a set of indicators which is detailed in Risk Strategy 2011. Bank's strategy regarding credit risk management includes:

- Strengthening the bank's debt collection activity;
- Organizing monthly meetings of the Monitoring Committee in order to have a

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higher-frequency monitoring of corporate clients in sectors affected by the crisis;
- Continue the program to prevent the problems faced by individual borrowers, started in 2009, by rescheduling their loan;
- Review of the norms and procedures for administration of overdue and non-performing loans;
- Monitoring and update the value of collaterals in order to reflect better the significant changes in the various markets in the last year with the limits approved by OTP Hungary;
- Permanent update of the list of approved counterparties; the transactions with counterparties which are not approved are not authorized.

Credit risk is managed in compliance with lending norms approved by the Board of Directors, based on the risk related type of products.

As part of overall credit risk management, the credit concentration risk is actively managed using standard tools (e.g. analysis, assessment, setting of internal limits, reporting and use of risk mitigation techniques as appropriate). The Bank aims not to take any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, selected industry sectors and collateral providers. The system of internal limits is established such that the Bank complies with regulatory limits set in respect of concentration risk.
The structure of economic sector risk concentration is presented in Note 18 c).

The structure of collateral securing impaired loans is similar to the structure of collateral securing past due and not impaired loans (please refer to Note 4.2.2 - "Collaterals received from customers").

4.2.1 Individually impaired assets

The Bank regularly re-assess all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on watchlist and which are classified as individually significant.
The bank calculated provision for individually impaired loans related only to corporate business portfolio.

The breakdown of these individual provisions recorded for exposures on legal companies, structured by industry is as follows:

	December 31, 2011	December 31, 2010
Agriculture	0	0
Construction	16,303	10,759
Hotels and restaurants	2,862	2,014
Other Industries (Furniture, Food and beverages, Fashion, Chemical, Forestry)	19,327	8,027
Other services	3,605	3,574
Others	2,065	950
Trade and finance	46,664	49,722
Transportation	1,410	1,564
Total	**92,237**	**76,610**

All amounts are expressed in RON thousands, unless otherwise stated

4.2.2 Collaterals received from customers

The Bank established limits for the granted loan amounts depending on the type of collateral. Examples of the recommended restrictions of loans (as percentages from the collateral value) in connections with customer ratings are shown below:

Recommended loan value (% of collateral)

Collateral type/Customer rating	Recommended value (% collateral)*	
	Area 1	**Area 2**
Mortgage		
A. Residential	**85**	**75**
B. Non-residential		
b1.) offices (A, B, C classes) & other commercial (warehouses, stores, cafes, etc.)	75	70
b2.) industrial buildings (production facilities, etc.), agricultural buildings	60	60
b3.) Free land		
- Urban land(Intravilan)	80	70
- other types of land	50	50
Pledge		
Cars **	60	
Buses or trucks **	50	
Other fixed assets; other vehicles (Locomotives, wagons, Machines and equipments, manufacture lines)***	40	
Pledge on goods****	50	
Guarantees issued by SME Guarantee Fund	**100**	

Area 1

- Main city of the county
- Areas around main city of the county
- Touristic areas: Valea Prahovei (between Câmpina and Brașov)
- Black Sea cities (between Năvodari and Vama Veche)
- Bucharest and Ilfov area

Area 2

- Cities/areas which are not in Area 1

* Same % for all ratings

** We take in consideration - Insurance value, resulted from the insurance policy

*** For other vehicles and equipments we take into consideration:

Values of the invoices (invoice < 6 months)

- Market value of the evaluation report (invoice > 6 months)

**** With the followings exceptions:

- Perishable goods (except alcohol, refreshments and mineral water)
- Plants and animals
- IT components.

The Bank accepts as collaterals those specified below which are presented at their accounting value:

	December 31, 2011	December 31, 2010
Type of collaterals		**Book value in LCY**
Cash collaterals	27,572,147	20,492,102
Bank guarantees and cash sureties	27,079,147	4,958,190
Guarantees of other state and organizations owned by state	48,002,378	1,939,417,000
Revenue assignment	2,921,800	3,332,272
Assignment of other receivables	219,701,186	190,857,941
Registration of pledge for stock	526,949,646	566,500,020
Mortgages	3,549,406,601	3,394,893,011
Other	194,054,198	117,351,821
Total	**4,595,687,102**	**6,237,802,357**

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During the year 2011, there have been some significant changes in the value of pledged amounts given by municipalities and state owned organizations, and recorded in Bank's accounting books.

4.2.3 Collaterals as result of foreclosure procedures

Collateral obtained as a results of foreclosure procedures have been included in Tangible and Intangible Assets starting with year 2007, under the "Land and Buildings" category. The movement related to these assets during 2011, is presented below:

	December 31, 2010	Additions	Disposals	December 31, 2011
Gross book value	3,395	3,930	(91)	7,234
Impairment	0	0	0	0
Net balances	**3,395**			**7,234**

4.2.4 Quality of Loans receivable

The loans receivable portfolio has been structured below based on the overdue days in repayment in order topresent a clear view of the quality of these financial assets.

If any portion of a loan receivable (principal amount, interest, etc) is overdue, the entire loan receivable is considered as an overdue receivable

4.2.4.1. The quality of loans receivable (within maturity as well as overdue loans receivable):

2011	Gross loans Without Identified Impairment	Gross loans With Identified Impairment	Provision	TOTAL gross loans
within maturity	307,300	1,895,356	37,631	2,202,656
0 - 15 days	42,806	142,685	20,825	185,491
16 - 30 days	1,751	23,556	3,631	25,307
31 - 60 days	1,348	39,420	3,747	40,768
61 - 90 days	777	23,906	4,488	24,683
91 - 180 days	542	40,912	12,411	41,454
more than 180 days	2,543	187,451	121,310	189,994
Total gross	**357,067**	**2,353,286**	**204,042**	**2,710,353**

2010	Gross loans Without Identified Impairment	Gross loans With Identified Impairment	Provision	TOTAL gross loans
within maturity	372,383	1,656,686	33,700	2,029,069
0 - 15 days	8,989	38,497	544	47,486
16 - 30 days	1,788	22,152	3,678	23,940
31 - 60 days	3,981	63,182	19,323	67,163
61 - 90 days	2,976	25,399	6,635	28,375
91 - 180 days	1,419	46,120	22,752	47,539
more than 180 days	3,519	115,627	77,239	119,146
Total gross	**395,054**	**1,967,663**	**163,871**	**2,362,717**

For certain loans granted to customers, which were overdue of more than 90 days at the reporting dates, the Bank received collaterals of significant higher amounts than the related exposures. Therefore, the total provision recorded by the Bank for these loans is less than the total exposure as at each of the reporting dates.

All amounts are expressed in RON thousands, unless otherwise stated

4.2.4.2. Quality of loans past due but not impaired

2011	Within maturity	Overdue 1 to 30 Days	Overdue more than 30 Days	Total
Corporate	113,819	24,105	1,539	139,463
Mortgage	0	0	0	0
Consumer loans	175,263	20,453	3,670	199,387
	289,082	**44,558**	**5,209**	**338,849**

2010	Within maturity	Overdue 1 to 30 Days	Overdue more than 30 Days	Total
Corporate	161,443	0	193	161,636
Mortgage	161,678	9,587	5,742	177,006
Consumer loans	49,262	1,190	5,959	56,412
	372,383	**10,777**	**11,894**	**395,054**

4.2.5 Aging of loans portfolio

December 31, 2011 Overdue days	Provision	Loans (gross amounts)
within maturity	37,631	2,202,656
0 - 15 days	20,825	185,491
16 - 30 days	3,631	25,307.03
31 - 60 days	3,747	40,768.00
61 - 90 days	4,488	24,682.75
91 - 180 days	12,411	41,454.09
more than 180 days	121,310	189,994
TOTAL	**204,042**	**2,710,353**

December 31, 2010 Overdue days	Provision	Loans (gross amounts)
within maturity	33,700	2,029,069
0 - 15 days	544	47,486
16 - 30 days	3,678	23,939.86
31 - 60 days	19,323	67,163.23
61 - 90 days	6,635	28,375.31
91 - 180 days	22,752	47,538.56
more than 180 days	77,239	119,146
TOTAL	**163,871**	**2,362,717**

4.2.6 Analysis of restructured loans and receivables, gross

Restructured loans receivable, amounting RON 354,861 thousands gross value, represent loans for which the repayment terms have been rescheduled based on an agreement between the Bank and its clients in order to avoid early overdue payments.

Starting year 2009 the Bank developed a special program for supporting retail debtors, which was still in progress at 2011 year-end.

The following table shows the quantitative analysis of the receivable that were classified as restructured loans as at the year-end:

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	December 31,2011		December 31,2010	
	Gross amount	Provision	Gross amount	Provision
Retail loans				
Overdue up to 30 days	98,265	4,423	86,989	874
Overdue from 31 to 90 days	7,930	640	5,635	358
Overdue more than 90 days	1,976	893	1,057	739
Retail loans - TOTAL	**108,171**	**5,957**	**93,681**	**1,970**
SME loans				
Overdue up to 30 days	59,685	8,215	68,730	5,464
Overdue from 31 to 90 days	3,916	1,046	10,676	2,725
Overdue more than 90 days	24,152	11,877	12,842	6,547
SME loans - TOTAL	**87,753**	**21,137**	**92,248**	**14,736**
Corporate loans				
Overdue up to 30 days	143,149	26,260	138,317	8,757
Overdue from 31 to 90 days	4,369	861		
Overdue more than 90 days	11,421	4,235	16,327	7,900
Corporate loans - TOTAL	**158,938**	**31,356**	**154,644**	**16,658**
TOTAL	**354,862**	**58,450**	**340,573**	**33,364**

4.2.7 Concentration of credit risk to Romanian Government

The following table presents the Bank's credit risk to companies controlled by the Romanian Government, municipalities and similar exposures:

	December 31, 2011	December 31, 2010
Amounts with the National Bank of Romania (Note 16)	390,575	383,816
Treasury Bills (Note 17)	**238,656**	**423,193**
Total	**629,232**	**807,010**

4.2.8 Concentration of credit risk to counterparties – other banks

The following table presents the counterparty risk related to the deposits placed by the Bank to other credit institutions, based on ratings available for Romanian and Hungarian Banks, as follows:

All amounts are expressed in RON thousands, unless otherwise stated

	December 2011		December 2010	
	Amounts in thousands RON equiv	Moody's Rating for counterparty's country of origin	Amounts in thousands RON equiv	Moody's Rating for counterparty's country of origin
OTP Bank PLC	49,025	Ba1	83,815	Baa3
CEC Bank SA	55,032	Baa3	85,037	Baa3
MKB Romexterra Bank SA	0	Baa3	20,270	Baa3
Unicredit Tiriac Bank SA	0	Baa3	66,052	Baa3
Banca de Export-Import a Romaniei Eximbank SA	40,009	Baa3	0	
Banca Romaneasca SA	15,121	Baa3		
Garanti Bank SA	0	Baa3	30,002	Baa3
Banca Comerciala Intesa Sanpaolo Romania SA	0	Baa3	25,025	Baa3
Banca Transilvania SA	0	Baa3		
Bancpost SA	0	Baa3	14,420	Baa3
Banca C.R. Firenze Romania SA	10,007	Baa3	9,427	Baa3
Piraeus Bank Romania SA	0	Baa3	8,570	Baa3
Bank of America, N.A. (New York Branch)	33	Baa3	2,924	Baa3
Banca Comerciala Romana S.A	221	Baa3	928	Baa3
UBS AG (Head Office- Zurich)	329	Aaa	3,391	Aaa
Danske Bank Aktieselskab	23	Aaa	134	Aaa
Banco Santander Central Hispano S.A	0	A1	167	Aa1
Commerzbank AG	0	Aaa	323	Aaa
Deutsche Bank AG	547	Aaa	4,211	Aaa
Standard Chartered Bank (Germany) GMBH	827	Aaa	1,000	Aaa
Unicredito Italiano SPA	38	A2	191	Aa2
Royal Bank of Scotland PLC	50	Aaa	265	Aaa
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	77	Aaa	66	Aaa
Bank of New York Mellon	304	Aaa	178	Aaa
Mizuho Corporate Bank LTD	1	Aa3	2	Aa2
Standard Chartered Bank (ex Amex)	20	Aaa	37	Aaa
TOTAL	**171,666**		**356,434**	

4.3 Liquidity Risk Management

The liquidity risk is associated either to the difficulty of an entity to raise necessary funds in order to meet all the commitments when they fall due or to the possibility of incurring losses if the entity has to sell assets in unfavorable conditions or has to attract more expensive supplementary funding.

The bank's objective regarding liquidity risk is to maintain an adequate level of liquidity by ensuring the optimal mix of funding and lending transactions in order to achieve the budget.

As stated on the "Liquidity Strategy" and on the "Liquidity risk administration policy" of the bank, permanently improved and updated in compliance with the local requirements for a prudent regulation but also, in compliance with group requirements, OTP Bank Romania S.A. has implemented an internal system of identification, measurement, monitoring and control of the liquidity risk, structured on two levels: the current liquidity management – the continuity of the activity in normal conditions (the assurance of cash flows for normal business operations) and the management of liquidity on crisis situations – the continuity of the activity in different crisis conditions.

OTP Bank Romania manages the liquidity risk considering: the estimation of the cash flows needs and of the operative liquidity, the daily banking book structure, the liquidity GAP – on each currency and overall, the level and the structure of the liquid assets portfolio, the liquidity indicators – calculated on a daily basis and having early warning limits internally established, the simulation regarding the liquidity indicators levels, the risk assessment on crisis situations by using stress tests.

If the indicators monitored in the reports enumerated above, register an attention or crisis level, the Assets and Liabilities Committee disposes the necessary measures needed for the indicators to revert to normal levels. If the measures taken by the Assets and Liabilities Committee have not been successful in improving the liquidity indicators, the alternative plan for liquidity management in crisis situations will be activated. This plan comprises the existing stand-by refinancing agreements with maturities over 1 year without early reimbursement clauses.

Strict monitoring and prudent management of liquidity is supervised by the Assets and Liabilities Management Committee.

The following tables show an analysis of assets, liabilities and equity according to their remaining maturities, reflecting the remaining period between the balance sheet date and the contractual maturity date (as of December 31, 2011 and December 31, 2010).

The analysis has been prepared on the basis of the most prudent consideration of maturity dates in cases where the repayment schedules facilitate earlier repayment. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "no fixed maturity" category.

Liabilities to clients due within one month principally include current accounts from which the clients are authorized to make withdrawals at call. The Bank's historical experience shows, however, that these accounts represent a stable source of funding.

Cumulated amount of the two stand-by facilities contracted with parent-company and undrawn as at 31.12.2011 represented RON 929,362,000.

In June 2010 the stand-by facility signed with OTP Bank Plc for CHF 140,000,000 has been renewed, with a new contractual maturity in June 2017. Also, in 2008 the Bank received from the parent-company a stand-by facility of EUR 100,000,000 with contractual maturity in January 2014.

December 31, 2011	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	No fixed maturity	Total
ASSETS							
Cash and cash equivalents	165,318	0	0	0	0	0	165,318
Current accounts and deposits at banks	171,666	0	0	0	0	0	171,666
Accounts with the National Bank of Romania	390,575	0	0	0	0	0	390,575
Securities held-to-maturity	22,778	29,977	43,110	122,987	19,804	0	238,656
Loans and advances to customers, net	107,391	164,135	507,543	369,421	1,357,822	0	2,506,312
Investment securities - Available for sale	0	0	0	0	0	9,378	9,378
Investment securities at fair value through profit and loss	0	0	0	0	0	89,047	89,047
Investment in Associates and Subsidiaries	0	0	0	0	0	210	210
Tangible and intangible assets, net	0	0	0	0	0	136,478	136,478
Derivatives	3,119	94	0	0	0	0	3,214
Other Assets	3,348	3,156	19,080	0	0	1,454	27,037
Total assets	**864,194**	**197,363**	**569,733**	**492,408**	**1,377,626**	**236,567**	**3,737,890**
LIABILITIES							
Due to Banks	65,790	0	0	0	0	0	65,790
Demand deposits banks	*45,485*	*0*	*0*	*0*	*0*	*0*	*45,485*
Time deposits banks	20,305	0	0	0	0	0	20,305
Due to customers	841,644	276,629	558,164	1,096,688	2,479	0	2,775,604
Demand deposits customers	*432,750*	*0*	*0*	*0*	*0*	*0*	*432,750*
Time deposits customers	408,894	276,629	558,164	1,096,688	2,479	0	2,342,854
Borrowings	109	0	3,356	19,809	0	0	23,275
Derivatives	0	0	0	335,086	0	0	335,086
Deferred tax liability, net	0	0	0	0	0	12,808	12,808
Other liabilities	32,724	1,492	39,502	0	0	13,935	87,652
Total liabilities	**940,267**	**278,121**	**601,022**	**1,451,582**	**2,479**	**26,743**	**3,300,215**
Shareholders' equity	**0**	**0**	**0**	**0**	**0**	**437,675**	**437,675**
Total liabilities and shareholders' equity	**940,267**	**278,121**	**601,022**	**1,451,582**	**2,479**	**464,418**	**3,737,890**
Net liquidity gap	(76,074)	(80,758)	(31,289)	(959,174)	1,375,147	(227,852)	0
Cumulative net liquidity GAP	**(76,074)**	**(156,832)**	**(188,121)**	**(1,147,295)**	**227,852**	**0**	**0**

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 87

December 31, 2010	Up to 1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	No fixed maturity	Total
ASSETS							
Cash	168,990	0	0	0	0	0	168,990
Current accounts and deposits at banks	356,434	0	0	0	0	0	356,434
Accounts with the National Bank of Romania	383,816	0	0	0	0	0	383,816
Securities held-to-maturity	7,952	15,261	349,994	108,994	19,768	0	501,970
Loans and advances to customers, net	82,284	108,021	509,271	341,647	1,157,624	0	2,198,847
Investment securities - Available for sale	0	0	0	0	0	134,036	134,036
Investment in Associates and Subsidiaries	0	0	0	0	0	210	210
Tangible assets, net	0	0	0	0	0	132,859	132,859
Derivatives	22	0	13,496	0	0	-	13,518
Other Assets, net	0	0	0	0	0	54,601	54,601
Deferred tax asset, net	0	0	0	0	0	0	0
Total assets	**999,498**	**123,282**	**872,762**	**450,641**	**1,177,392**	**321,707**	**3,945,282**
LIABILITIES							
Demand deposits from banks	42,625	0	0	0	0	0	42,625
Term deposits from banks	196,156	10,000	0	0	0	0	206,156
Demand deposits from customer	*574,101*	*0*	*0*	*0*	*0*	*0*	*574,101*
Term deposits from customer	733,112	366,405	64,332	1,091,913	1,656	0	2,257,419
Borrowings	96	0	12,242	22,505	0	0	34,843
Derivatives	*0*	*0*	*0*	*312,775*	*0*	*0*	*312,775*
Deferred tax liability, net	0	0	0	0	0	8,366	8,366
Other liabilities	0	0	0	0	0	63,796	63,796
Total liabilities	1,546,090	376,405	76,574	1,427,193	1,656	72,162	3,500,080
Shareholders' equity	0	0	0	0	0	445,201	445,201
Total liabilities and shareholders' equity	**1,546,090**	**376,405**	**76,574**	**1.427.193**	**1,656**	**517,363**	**3,945,282**
Net liquidity gap	(546,593)	(253,123)	796,187	(976,551)	1,175,736	(195,657)	0
Cumulative net liquidity GAP	**(546,593)**	**(799,716)**	**(3,528)**	**(980,080)**	**195,657**	**0**	**0**
Net liquidity gap	**(76,074)**	**(80,758)**	**(31,289)**	**(959,174)**	**1,375,147**	**(227,852)**	**0**
Cumulative net liquidity GAP	**(76,074)**	**(156,832)**	**(188,121)**	**(1,147,295)**	**227,852**	**0**	**0**

Taking into consideration the specific of banking activity, especially due to deposits taken from non-banking clients with maturities concentrated on maturity strips below 3 month, the most significant liquidity gap is recorded on first and second maturity strips. Still, these deposits are renewed in a significant proportion at each maturity date. On the other hand, placements made by the Bank to non-banking clients are concentrated on maturity strips over 3 months and over 5 years , which improves significantly the liquidity gap on these strips.

For the presentation of Assets and Liabilities based on the remained maturity, the Bank took into consideration all Balance Sheet items, not only the monetary ones.

4.4 Fair value of the Bank's Financial Assets and Liabilities

The fair value of the Bank's financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

All amounts are expressed in RON thousands, unless otherwise stated

Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Market inputs are used in valuation models to the maximum extent. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly impact on the estimates. Therefore, the estimated fair market values may not be realised in the current sale of the financial instrument.

Management's assessment of fair values

Where the fair value of financial instruments cannot be derived from active market, the Bank establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis models. Deciding on the model inputs requires judgment.

Cash, Amounts due from Banks, and Balances with the National Bank of Romania and Placements with Other Banks

The carrying values of cash and balances with central banks are generally deemed to approximate their fair value.

The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral - level 2 of the fair value estimate. Provisions are not taken into consideration when calculating fair values.

Loans

Generally, the fair value of variable yield loans that are regularly re-valued approximates their carrying value with no significant changes in credit risks. The fair value of loans at fixed

interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit risks.

The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. The fair value of loans does not significantly differ from their book value.

Held-to-Maturity Financial Investments

The fair value of securities recorded in the portfolio is stated at the price determined by valuation techniques based on level 2 of the fair value estimate. In government and banking bonds, whose issuers have rating comparable with the country rating, fair value is calculated using the market yield curve without credit margin. For other types of bonds the credit margin reflecting the issuer's credit risk is applied in addition to the market yield curve.

Amounts due to Banks and Deposits from the National Bank of Romania and Other Banks and Amounts due to Customers

The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as at the statement of financial position date. The fair value of term deposits at variable interest rates approximates their carrying values as at the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities level 2 of the fair value estimate.

Amounts owed to customers approximate their fair values as the vast majority of such deposits bear variable interest rates, and the management has the ability to revalue at short notice.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the carrying amounts of financial assets and financial liabilities presented on the Bank's balance sheet, and their fair values:

LINES OF THE BALANCE SHEET	Carrying amounts		Fair values	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
ASSETS				
Cash	165,318	168,990	165,318	168,990
Current accounts and deposits at Banks	171,666	356,434	171,666	356,434
Accounts with the National Bank of Romania	390,575	383,816	390,575	383,816
Securities held-to-maturity	238,656	501,970	238,656	501,970
Loans and advances to customers, net	2,506,312	2,198,847	2,506,312	2,198,847
Investment securities - Available for sale	9,378	134,036	9,378	134,036
Investment securities at fair value through profit and loss	89,047	0	89,047	0
Derivatives	**3,214**	**13,518**	**3,214**	**13,518**
LIABILITIES				
Demand deposits banks	45,485	42,625	45,485	42,625
Term deposits banks	20,305	206,156	20,305	206,156
Demand deposits customers	432,750	574,101	432,750	574,101
Term deposits customers	2,342,854	2,257,419	2,342,854	2,257,419
Borrowings	23,275	34,843	23,275	34,843
Derivatives	**12,808**	**312,775**	**12,808**	**312,775**

All amounts are expressed in RON thousands, unless otherwise stated

Methods and assumptions in consideration to the fair value of financial instruments :

- **Short term financial assets and liabilities**, defined as those with remaining maturities of 90 days or less - the fair value approximates their carrying amounts due to their short term maturity. The following instruments were considered predominantly short-term: on the assets side, cash, current account and deposits at banks, accounts with NBR and on the liabilities side demand deposits from banks and demand deposits from customers.
- **Securities held-to-maturity** - the fair value of these instruments equal their carrying amount as of December 31, 2011 and December 31, 2010 as being based on quotations obtained from Bucharest Stock Exchange (Please refer to Note 17 for details).
- **Securities available for sale** - quoted securities are presented in accompanying financial statements at their fair value.
- **Loans and advances to customers, net** - the fair value of loans equal their carrying amounts due to the fact that interests are re-priced to market on regular basis as the loans bear variable interest rates. There are no loans with fixed interest rates granted to customers.
- **Term deposits from customers** - the fair value of term deposits was determined by discounting of future cash flows by market interest rates offered by the Bank as of December 31, 2011 and December 31, 2010 for term deposits with similar contractual maturities.
- **Borrowings** - the fair value of borrowings approximates to their carrying amounts due to the fact that interest rates are re-priced to market on regular basis as the borrowings bear variable interest rates.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

			December 31, 2011			December 31, 2010
	Derivative Financial Assets	Available for Sale Investments	Derivative Financial Liabilities	Derivative Financial Assets	Available for Sale Investments	Derivative Financial Liabilities
Level 1	0	6,219	0	0	37,584	0
Level 2	3,214	92,205	335,086	13,518	96,452	312,775
Total	**3,214**	**98,424**	**335,086**	**13,518**	**134,036**	**312,775**

Fair value of financial Instruments

Below there are details related to the hierarchy levels:

- Level 1: quoted market price in an active market for an identical instrument;
- Level 2: valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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6. INTEREST INCOME

	Year ended December 31, 2011	Year ended December 31, 2010
Interest on current loans	171,581	197,406
Total interest on loans	**171,581**	**197,406**
Time deposits with other banks	7,564	6,717
Demand deposits and accounts with the Central Bank	3,979	5,061
Total interest on deposits with banks	**11,543**	**11,778**
Interest on treasury securities, net	29,743	33,985
Interest on derivatives, net	51,116	78,483
Total interest income	**263,983**	**321,652**

7. INTEREST EXPENSE

	Year ended December 31, 2011	Year ended December 31, 2010
Time deposits	137,050	157,694
Demand deposits	6,741	7,585
Total interest on customers' deposits	**143,791**	**165,279**
Interest on other borrowed funds	592	650
Total interest expense	**144,383**	**165,929**

8. FEES AND COMMISSIONS INCOME AND EXPENSES

FEES AND COMMISSIONS INCOME	Year ended December 31, 2011	Year ended December 31, 2010
FX payment transactions	2,122	1,800
Card related fees and commissions	4,534	3,750
Fee income from other services	5,626	4,638
Payment transfers	16,394	13,936
Cash management fees	8	8
Lending business	44,470	43,259
Deposit and turnover fees and commissions	5,144	4,788
Total	**78,299**	**72,180**

FEES AND COMMISSIONS EXPENSE	Year ended December 31, 2011	Year ended December 31, 2010
Deposit and turnover fee and commission expenses	2,515	1,095
Expenses on card operations	7,528	5,524
Other services	6,444	3,728
Fees for experts and services	4,558	4,500
Loan commissions expenses	642	684
Total	**21,688**	**15,532**

All amounts are expressed in RON thousands, unless otherwise stated

9. IMPAIRMENT LOSSES

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Allowance for loans and advances to customers	18	(68,373)	(94,542)
Release of provisions	18	28,202	31,687
Impairment losses on loans and advances to customers before unwind of interest		**(40,171)**	**(62,855)**
Interest rate correction for loans		24,514	0
Total impairment losses on loans and advances to customers after unwind of interest		**(15,657)**	**(62,855)**
Impairment losses on other assets			
(Allowance) for / Recoveries from transferred loans contracts	18	(10,789)	(157)
(Allowance) for / Recoveries from provision for held to maturity securities	17	(598)	(659)
(Allowance) for / Recoveries on other Off BS elements	18	340	0
Operational risk provisions		246	(35)
Impairment losses for FA	19	0	2,203
Impairment losses on Receivables sold for collection		(7,144)	(51,264)
Impairment losses on overdue commissions		(456)	(2,630)
Foreign exchange differences		2,940	10,693
Total Impairment losses on other assets		**(15,462)**	**(41,849)**
Total Impairment losses on loans and other assets		**(31,119)**	**(104,703)**
TOTAL		**(31,119)**	**(104,703)**

10. TRADING INCOME, NET

	Year ended December 31, 2011	Year ended December 31, 2010
Foreign exchange income	9,381,750	8,227,561
Foreign exchange expenses	(9,340,503)	(8,079,050)
Foreign exchange incomes related to derivatives	511,092	358,899
Foreign exchange expenses related to derivatives	(511,144)	(467,399)
Total trading income	**41,196**	**40,011**

11. PERSONNEL EXPENSES

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries	71,923	69,507
Social insurance contributions	19,679	19,383
Other employee benefits	4,026	3,385
Total	**95,628**	**92,275**

12. OPERATING EXPENSES

	Year ended December 31, 2011	Year ended December 31, 2010
Materials and services	15,847	16,642
Depreciation and amortization	19,690	20,354
Taxes	17,596	14,712
Other operating expenses	11,544	10,270
Total	**64,678**	**61,979**

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13. OTHER INCOME AND OTHER EXPENSES

OTHER INCOME

	Year ended December 31, 2011	Year ended December 31, 2010
Rent income	189	211
Income from non-banking services	196	698
Dividend Income from Associated Companies	21	80
Total	**407**	**989**

OTHER EXPENSES

	Year ended December 31, 2011	Year ended December 31, 2010
Advertising	9,064	10,789
Rent and utilities expenses	21,173	22,785
Insurance premiums	1,813	2,262
Cancelation of reevaluation following the liquidation of subsidiaries	0	179
Other expenses	2,381	4,367
Total	**34,432**	**40,383**

14. CASH

	December 31, 2011			December 31, 2010		
	RON	FCY	Total	RON	FCY	Total
Cash	63,492	86,896	150,388	88,313	69,480	157,793
Cash in ATM	14,930	0	14,930	11,197	0	11,197
Total	**78,422**	**86,896**	**165,318**	**99,510**	**69,480**	**168,990**

For purposes of the statement of cash flows, the Bank considers cash on hand and current accounts at banks as cash and cash equivalents, as follows:

Cash and cash equivalents	December 31, 2011	December 31, 2010
Cash and cash equivalents	165,318	168,990
Current accounts and deposits at banks	171,666	356,434
Cash at the National Bank of Romania	390,575	383,816
	727,559	**909,240**
less Pledged deposits at banks	0	0
less Compulsory reserves at National Bank of Romania	(390,575)	(383,816)
Total cash and cash equivalents	**336,983**	**525,424**

15. CURRENT ACCOUNTS AND DEPOSITS AT BANKS

	December 31, 2011			December 31, 2010		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	0	2,462	2,462	0	12,744	12,744
Deposits at banks	117,058	52,145	169,203	210,363	133,327	343,690
Total	**117,058**	**54,608**	**171,666**	**210,363**	**146,071**	**356,434**

Placements existing in Bank's accounting books as at 31 December 2011 (as well as at 31 December 2010) are free of any obligation or commitment (not pledged).

The interest rates received by OTP Bank Romania S.A. for current accounts and deposits at banks as at the reporting dates were the following:

	December 31, 2011		December 31, 2010	
	RON	FCY	RON	FCY
Current accounts at banks	-	-	-	-
Deposits at banks	4.10% - 6.20%	0.45% - 6%	3.60% - 7.50%	0.40% - 2.28%

All amounts are expressed in RON thousands, unless otherwise stated

Currents accounts with banks are non-interest bearing deposits.

16. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA (NBR)

	December 31, 2011			December 31, 2010		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Compulsory reserves	256,006	134,569	390,575	158,476	225,340	383,816
Current accounts	0	0	0	0	0	0
Deposits	0	0	0	0	0	0
Total	**256,006**	**134,569**	**390,575**	**158,476**	**225,340**	**383,816**

The National Bank of Romania (NBR) requires Romanian commercial banks to maintain certain reserves (compulsory reserve) computed in accordance with specific regulations by applying a percentage to the average balance of other borrowed funds (deposits from clients and borrowings) on a definite period of time and whose withdrawal are restricted.

As at December 31, 2011, the reserve was set up at the following rates:

RON: 15% of the borrowed funds in local currency;

Foreign currency: 20% of the borrowed funds in other than local currency.

The interest rate paid by the National Bank of Romania for minimum compulsory reserve as of December 31, 2010 was as follows:

RON: 1.43% (December 31, 2010: 1.56%)
EUR: 0.65% (December 31, 2010: 0.88%)

17. SECURITIES HELD-TO-MATURITY

Treasury securities represent financial instruments held-to-maturity (treasury certificates), issued by the Romanian Ministry of Finance and are denominated in RON. Treasury securities held by the Bank as of December 31, 2011 stand for RON 238,656 thousands out of which 44,047 thousands RON equivalent are bonds issued in EURO. From the total of securities held-to-maturity, RON 73,088 thousands have residual maturity of less than 1 year, from which RON 29,977 thousands with the residual maturity of less than 3 months. The interest rate for RON issued securities varies between 6.96 % and 10%, while the yield for EURO issued securities is 5.25% .

The treasury bonds are unencumbered and at the immediate disposal of the Bank as at December 31, 2011 and December 31, 2010.

Moody's ratings available for Romania and Hungary as at 31.12.2011 were as follows:

Romania	- Local currency: Baa3
	- Foreign currency: Baa3
Hungary	- Local currency: Ba1
	- Foreign currency: Ba1

The structure of bonds and other fixed-yield securities as at December 31, 2011 and December 31, 2010 was the following:

	December 31, 2011	December 31, 2010
Fixed rate Bonds	238,656	501,970
Fixed rate Treasury Bills	0	0
- impairment provision	0	0
Carrying amounts	238,656	501,970
TOTAL Securities held-to-maturity	**238,656**	**501,970**

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18. LOANS AND ADVANCES TO CUSTOMERS, NET

a) Structure by currency (gross and net amounts)

Structure by currency	December 31, 2011			December 31, 2010		
	RON	FCY	Total	RON	FCY	Total
Loans, gross	649,705	2,060,648	2,710,353	477,365	1,885,353	2,362,717
Impairment losses on loans	(69,561)	(134,481)	(204,042)	(58,998)	(104,873)	(163,871)
Total loans and advances to customers, NET	**580,144**	**1,926,168**	**2,506,312**	**418,367**	**1,780,480**	**2,198,847**

b) Structure by type of ownership (gross amounts):

December 31, 2011				
	Total loans	RON	FCY	%
Legal entities	1,393,003	429,786	963,217	55.58%
Individuals	1,113,309	150,358	962,951	44.42%
Total loans and advances to customers, NET	**2,506,312**	**580,144**	**1,926,168**	**100%**

December 31, 2010				
	Total loans	RON	FCY	%
Legal entities	1,191,101	280,810	910,292	54.17%
Individuals	1,007,745	137,557	870,188	45.83%
Total loans and advances to customers, NET	**2,198,847**	**418,367**	**1,780,480**	**100%**

c) Concentration by sector:

	December 31, 2011	%	December 31, 2010	%
RETAIL	1,570,691	63%	1,365,129	62%
Consumer loans	610,807	24%	533,586	24%
Housing	959,884	38%	831,543	38%
CORPORATE	935,620	37%	833,718	38%
Trade and finance	316,931	13%	329,338	15%
Manufacturing	125,443	5%	75,716	3%
Transportation and communications	7,118	0%	3,596	0%
Services	185,264	7%	170,500	8%
Agriculture and forestry	70,017	3%	58,188	3%
Real estate and construction	70,139	3%	70,110	3%
Other sectors	160,709	6%	126,270	6%
Total loans and advances to customers, NET	**2,506,312**	**100%**	**2,198,847**	**100%**

d) Impairment losses

	Other assets RON ('000)	Investments and securities RON ('000)	Off balance sheet items RON ('000)	Loans and interest receivable RON ('000)	Total RON ('000)
Balances at January 1, 2011	**5,947**	**3,788**	**340**	**163,870**	**173,945**
Charge during the year	11,246	598	(340)	68,373	79,877
Release during the year	0	0	0	(28,201)	(28,201)
Balance at December 31, 2011	**17,193**	**4,386**	**0**	**204,042**	**225,622**

All amounts are expressed in RON thousands, unless otherwise stated

	Other assets RON ('000)	Investments and securities RON ('000)	Off balance sheet items RON ('000)	Loans and interest receivable RON ('000)	Total RON ('000)
Balances at January 1, 2010	**3,125**	**3,129**	**340**	**101,016**	**111,985**
Charge during the year	2,822	659	0	94,542	98,023
Release during the year	0	0	0	(31,687)	(31,687)
Balance at December 31, 2010	**5,947**	**3,788**	**340**	**163,870**	**178,320**

19. TANGIBLE AND INTANGIBLE ASSETS, NET

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construc-tion in progress	Other intangibles	Total
Gross book value January 1, 2010	113,874	45,568	9,331	17,246	186,018	7,762	36,754	230,530
Accumulated depreciation January 1, 2010	**(25,668)**	**(18,994)**	**(7,548)**	**(13,320)**	**(65,531)**	**0**	**(30,071)**	**(95,598)**
Net book value January 1, 2010	**88,205**	**26,574**	**1,783**	**3,926**	**120,487**	**7,762**	**6,684**	**134,932**
Additions	3,700	0	0	0	3,700	10,356	5,361	19,417
Transfers from construction in progress	2,373	2,026	151	1,090	5,640	(5,640)	0	0
Disposals	(6,297)	(353)	(188)	(2,416)	(9,254)	0	(1,910)	(11,166)
Gross book value December 31, 2010	**113,649**	**47,241**	**9,294**	**15,920**	**186,103**	**12,478**	**40,205**	**238,781**
Dep'n charge for 1 year period ended December 31, 2010	(4,902)	(6,449)	(911)	(1,840)	(14,103)	0	(6,251)	(20,354)
Accumulated depreciation of disposals	5,299	231	188	2,400	8,118	0	1,910	10,028
Accumulated depreciation December 31, 2010	**(25,272)**	**(25,213)**	**(8,271)**	**(12,761)**	**(71,516)**	**0**	**(34,412)**	**(105,923)**
Net book value December 31, 2010	**88,377**	**22,028**	**1,023**	**3,159**	**114,586**	**12,478**	**5,793**	**132,858**
Gross book value January 1, 2011	**113,649**	**47,241**	**9,294**	**15,920**	**186,103**	**12,478**	**40,205**	**238,781**
Accumulated depreciation January 1, 2011	**(25,272)**	**(25,213)**	**(8,271)**	**(12,761)**	**(71,516)**	**0**	**(34,412)**	**(105,923)**
Net book value January 1, 2011	**88,377**	**22,028**	**1,023**	**3,159**	**114,587**	**12,478**	**5,793**	**132,858**
Additions	3,926	0	0	0	3,926	13,026	7,491	24,442
Transfers from construction in progress	3,975	1,752	1,002	1,678	8,408	(8,408)	0	0
Disposals	(3,326)	(2,206)	(629)	(843)	(7,005)	0	0	(7,006)
Gross book value December 31, 2011	118,224	46,787	9,667	16,755	191,432	17,096	47,696	256,218
Dep'n charge for 1 year period ended December 31, 2011	(4,300)	(5,619)	(628)	(1,247)	(11,794)	0	(7,896)	(19,690)
Accumulated depreciation of disposals	2,589	1,850	603	830	5,872	0	0	5,872
Accumulated depreciation December 31, 2011	**(26,983)**	**(28,982)**	**(8,295)**	**(13,178)**	**(77,438)**	**0**	**(42,308)**	**(119,740)**
Net book value December 31, 2011	**91,240**	**17,805**	**1,372**	**3,577**	**113,993**	**17,096**	**5,388**	**136,478**

20. INVESTMENT SECURITIES, AVAILABLE FOR SALE AND AT FAIR VALUE TRHOUGH PROFIT AND LOSS

Investments in securities represent quoted and unquoted shares classified as Available for sale, as follows:

Available for sale

	December 31, 2011	December 31, 2010
Quoted shares	**6,136**	**37,501**
- OTP Green Energy	3,440	3,040
- Fondul de Investitii Proprietatea	2,697	34,461
Unquoted shares	**3,241**	**96,535**
SNCDD	201	201
SWIFT	83	82
OTP Asset Management SAI S.A.	689	683
Investment funds	**2,269**	**95,569**
- OTP Comodis	0	76,857
- BRD Simfonia	0	16,559
- OTP Eurobond	2,269	2,153
TOTAL Available for sale investments	**9,378**	**134,036**

Investment funds at Fair Value through Profit and Loss		
	December 31, 2011	**December 31, 2010**
- OTP Comodis	74,042	0
- BRD Simfonia	15,005	0
TOTAL Investments at fair value through profit and loss	**89,047**	**0**

The unit funds held by the Bank in OTP Comodis Investment Fund and in BRD Simfonia Investment Fund were entirely sold in 2011. At the end of year 2011 the Bank bought units in OTP Comodis for 74 million RON as well as in BRD Simfonia Investment Fund for 15 million RON and decided to classify these investments as Fair-value-through-Profit-and-Loss.

The Bank maintained its investment in OTP Green Energy. This fund, as well as OTP Comodis Investment Fund, are managed by OTP Asset Management SAI. OTP Green Energy is listed on the Stock Exchange and its earnings are related to the evolution of the most important European companies from the renewable energy industry, based on the European Renewable Energy Index Price return, offered by Societe Generale.
The Bank's intention is to hold this investment for a longer period.
The Investment in Fondul Proprietatea, which has been listed on the Bucharest Stock Exchange starting with January 2011, was gradually decreased during the year, from 32 million RON at the beginning of the year to 3,7 million RON (value at cost) at 31 December 2011.
Fund units, at the year-end the Bank recorded an expense with impairment provision of 598 thousands RON.
Details of unquoted investments held by the bank are as follows:

Company	Nature of business	Country of incorporation	% in share capital December 31, 2011	% in share capital December 31, 2010
SNCDD	clearing	Romania	3.75	3.75
SWIFT	interbank financial communications	Belgium	less than 1	less than 1
Visa	interbank financial communications	United Kingdom	less than 1	less than 1
OTP Asset Management SAI S.A.	financial services	Romania	9.90%	9.90%

All amounts are expressed in RON thousands, unless otherwise stated

For all investments except for SWIFT and Visa, the main operations are developed in Romania.

21. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

During the year 2011 there were no changes in the structure of investments in associates and subsidiaries following:

	Gross book value as at December 31, 2011	December 31, 2011 Net book value	Percentage owned as at December 31, 2011
S.C. OTP Leasing Romania S.A.	0.01	0.01	0%
OTP Broker de Intermedieri Financiare SRL	3,129	0	100%
OTP Consulting Romania SRL	210	210	75%
OTP Factoring SRL	0.23	0.23	15%
SC Aloha Buzz SRL	0.01	0.01	5%
SC Favo Consultanta SRL	0.01	0.01	5%
SC Tezaur Cont SRL	0.01	0.01	5%
Total		**210**	

Starting with January 2010 the Bank owns 5% of the shares of Aloha Buzz, Favo Consultanta, Tezaur Cont along with OTP Factoring who owns the rest of the companies' shares.

22. OTHER ASSETS, NET

	December 31, 2011	December 31, 2010
Prepaid expenses	5,431	4,316
Consumables	1,351	1,339
Sundry debtors, net	5,106	8,672
Other assets	18,440	43,974
Allowance for other assets	(3,292)	(3,700)
Total	**27,037**	**54,601**

The other assets layout includes RON 13,986 thousands representing settlement accounts for interbank transactions.
Provisions from possible losses from other assets relate to the loss receivables from various debtors (RON thousands 249), overdue commissions (RON thousands 2,803) and to off-balance sheet and operational risk (RON thousands 124).

An analysis of movements in provisions for possible losses from other assets is as follows:

	December 31, 2011	December 31, 2010
Balance at the beginning of the year	**(3,700)**	**(580)**
Allowance for other assets	(210)	(2,630)
Used provisions during the year	-	-
Exchange difference	618	(490)
At the end of year	**(3,292)**	**(3,700)**

23. DUE TO BANKS

	December 31, 2011			December 31, 2010		
	RON	FCY	Total	RON	FCY	Total
Demand deposits banks	20,824	24,661	45,485	21,180	21,445	42,625
Term deposits banks	0	20,305	20,305	95,352	110,804	206,156
Total	**20,824**	**44,966**	**65,790**	**116,532**	**132,249**	**248,781**

24. DUE TO CUSTOMERS

	December 31, 2011			December 31, 2010		
	RON	FCY	Total	RON	FCY	Total
Demand deposits customers	273,179	159,571	432,750	227,291	346,810	574,101
Term deposits customers	1,833,760	509,094	2,342,854	1,722,821	534,598	2,257,419
Total	**2,106,939**	**668,665**	**2,775,604**	**1,950,112**	**881,408**	**2,831,520**

According to the currency and amount of saving account opened, the Bank pays interest rates in the following ranges:

	December 31, 2011
RON saving accounts	5.00% -5.12%
EUR saving accounts	2.50%
USD saving accounts	1.75%
CHF saving accounts	0%
HUF saving accounts	2%

	December 31, 2011
RON deposits from customers	0.15% - 14.00%
EUR deposits from customers	0.10 - 4.20%
USD deposits from customers	0.10% - 2.85%
CHF deposits from customers	0.10% - 1.60%
HUF deposits from customers	0.10% - 3.50%
GBP deposits from customers	0.10% - 3.25%

25. BORROWINGS

	December 31, 2011	December 31, 2010
Loans from European Bank for Reconstruction and Development	19,888	30,677
Loans from Ministry of Finance	3,387	4,166
Total	**23,275**	**34,843**

1. European Bank for Reconstruction and Development

The Bank signed in 2007 a Loan contract with the European Bank for Reconstruction and Development in total amount of EUR 10,000,000 with the purpose of sustaining the development of small and medium enterprises.

The Loan is intended to enable the Bank to provide mid-term financing to its Small and Medium clients, mainly for investment purposes. The Bank may finance from the Loan proceeds the following types of development projects: investment projects including purchase of machinery, purchase of real estate, working capital requirements for production purposes or provision of services and new projects or modernization or expansion of existing businesses.
This loan was fully engaged as at December 31st, 2008 for which the Bank pays bi-annual installments, and maturity in year 2013.

2. Ministry of Finance

As at 31st of December 2011 the outstanding amount of the credit facility signed with the Ministry of Finance on 14th of February 2003, with maturity in February 2015, was 3,356,363 lei. The loan represents a Subsidiary Loan Agreement within the Rural Financing Project and the reimbursement is made by semi-annual payments.

All amounts are expressed in RON thousands, unless otherwise stated

26. DERIVATIVES

The negative fair value of the derivative financial instruments is included in "Derivatives". Changes in their fair value that do not qualify for hedge accounting are recognized in the income statement lines "Foreign exchange expenses related to derivatives" and respectively "Foreign exchange incomes related to derivatives".

The financial derivative instruments at face and fair values as at December 31st, 2011 and December 31st, 2010 were as follows:

	December 31, 2011			December 31, 2010		
	Notional amount	**Asset**	**Liability**	**Notional amount**	**Asset**	**Liability**
Intercompany cross currency interest rate derivatives	1,065,721	0	335,086	1,065,721	0	312,775
Short term currency instruments	373,866	3,214	0	371,201	13,518	0
	1,439,587	**3,214**	**335,086**	**1,436,921**	**13,518**	**312,775**

27. TAXATION

The Bank has computed the deferred tax as of December 31st, 2011 using the statutory legal rate of 16% (2010: 16%).

The income tax expense for the year comprises:

	December 31, 2011	December 31, 2010
Current income tax expense	(44)	(43)
Deferred tax expense	(5,533)	(1,966)
Total income tax expense	**(5,577)**	**(2,009)**

The deferred tax liability as of December 31st, 2011 is reconciled as follows:

	Temporary difference	Tax effect
Adjustments to restate tangible and intangible assets:		
IFRS adjustments to tangible and intangible assets	*(1,500)*	*(240)*
Restatement of equity investments:		
restatement of investments	163	26
Loan adjustments:		
impairment for loans	64,618	10,339
Other adjustments		
Other adjustments - commissions	(955)	(153)
Additional deductible items under IAS 12	**62,326**	**9,972**
Deferred tax asset as of December 31, 2011 - Faire-value adjustment of AFS shares	**(6,815)**	**1,090**
Deferred tax liability as of December 31, 2011 related to previous adjustments for impairment of Fixed assets		**1,745**
Deferred tax liability as of December 31, 2011 - NET		**12,808**

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The deferred tax asset as of December 31st, 2010 is reconciled as follows:

	Temporary difference	Tax effect
Adjustments to restate tangible and intangible assets:		
IFRS adjustments to tangible and intangible assets	*(5,400)*	*(864)*
Restatement of equity investments:		
restatement of investments	163	26
Loan adjustments:		
impairment for loans	40,041	6,407
Other adjustments		
Provision for off balance sheet items	(340)	(340)
Derivatives	0	0
Other adjustments	0	0
Additional deductible items under IAS 12	**34,465**	**5,514**
Deferred tax asset as of December 31, 2010 - Fair-value adjustment of AFS shares	**6,925**	**1,107**
Deferred tax liability as of December 31, 2010 related to previous adjustments for impairment of Fixed assets	**0**	**1,745**
Deferred tax liability as of December 31, 2010 - NET	**0**	**(8,366)**

Movement in deferred tax

	December 31, 2011	December 31, 2010
Deferred tax liability as at 1 January	**(8,366)**	**(5,334)**
Deferred tax charge	(5,533)	(1,966)
Deferred tax charged (-) / released (+) to equity	1,090	(1,066)
Deferred tax liability as of December 31	**(12,808)**	**(8,366)**

RECONCILIATION OF TAX LOSSES VERSUS ACCOUNTING LOSSES

	December 31, 2011	December 31, 2010
Loss for the period before tax	3,598	(33,829)
Change in gain in equity	(6,815)	6,665
Total gross recognized income / expense for the period	(3,218)	(27,164)
IFRS adjustments affecting profit and loss without tax effect	0	0
IFRS net change in gain in equity	(5,725)	5,598
Not taxable income	(4,098)	(10,170)
Not deductible expenses	19,937	11,696
Tax profit / (loss)	19,437	(32,303)
Current tax	(44)	(43)
Deferred tax liability as at 1 of January	**(8,366)**	**(5,334)**
Deferred tax charge to profit and loss	(5,533)	(1,966)
Deferred tax charged (-) / released (+) to equity	1,090	(1,066)
Deferred tax liability as of December 31	**(12,808)**	**(8,366)**

	December 31, 2011	December 31, 2010
Net Statutory (Loss)/profit of the period	**(21,064)**	**(52,129)**
Not taxable income	(4,098)	(10,170)
Not deductible expenses	19,937	11,696
Fiscal result (loss)	**(5,225)**	**(50,603)**
Carried fiscal loss	(161,564)	(105,736)
Total carried forward	**(135,746)**	**(156,339)**

All amounts are expressed in RON thousands, unless otherwise stated

28. OTHER LIABILITIES

	December 31, 2011	December 31, 2010
Deferred income	78,272	53,201
Unearned income	7,993	1,998
Other liabilities	70,279	51,203
Current taxes	8,566	6,913
Sundry creditors	814	3,682
	87,652	**63,796**

An important part of liabilities was included under the caption "Other Liabilities" representing RON 28,352 thousands (RON 21,059 thousands as at 31st December 2010), that represents amounts to be reconciled based on interbank settlement process (promissory notes, cheques). Amounts to be settled with other members of the Group are also included under this caption, for the value of RON 26,600 thousands.

29. SHARE CAPITAL

	December 31, 2011	December 31, 2010
Share capital as of January 1, 2011	**542,909**	**462,909**
Increase of share capital	0	80,000
Share capital at the end of the period	**542,909**	**542,909**

As at 31st of December 2011 (and 31st of December 2010), the Bank's share capital amounted RON 542,909 thousand and consisted of 2,262,117 registered ordinary shares with face value of RON 240 per share.

All of the shares are ordinary shares and no special rights are attached to them. Voting rights per share are equivalent to the face value per share.

As at 31st of December 2011, the Bank's entire share capital was registered at the Commercial Register and fully paid in.

Earnings per share

Earnings/(loss) per share attributable to shares of the Bank (there are only common shares issued by the Bank) are computed as net profit for the relevant year attributable to the common shareholders divided by weighted average number of common shares outstanding during the year as follows:

	2011	2010
Profit/(loss) after tax in the accounting period	(1,980)	(35,837)
Average number of ordinary shares outstanding during the period	2,262,121	1,987,235
Earnings per ordinary share (face value RON 240) in RON	**(0.88)**	**(18.03)**

30. OFF BALANCE SHEET FINANCIAL COMMITMENTS

Issued guarantees and letters of credit

The Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from the granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank.

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All letters of credit issued by the Bank are collateralized. As at December 31st, 2011 and December 31st, 2010 the probability of material loss arising in connection with letters of credit is considered to be remote and accordingly no provision has been established.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which, are written undertaking by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized, and because of this carry a lower risk.

Credit commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it result from the possibility of unused portions of loan authorizations being drawn by the customer and, seconds, from these drawings subsequently not being repaid as due.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The aggregate amounts of outstanding guarantees, commitments, and other off balance sheet items as of December 31st, 2011 and December 31st, 2010 are the following:

	December 31, 2011	December 31, 2010
Import letters of credit and other commitments, out of which:	366,466	229,317
Confirmed Letters of credit	*7,720*	*2,051*
Unutilised credit limits	*358,746*	*227,267*
Letters of guarantee and other guarantees	134,160	141,855
Other financial commitments	31,684	2,565
Total guarantees and other financing commitments	**532,309**	**373,737**

31. CONCENTRATION OF ASSETS DUE BY GOVERNMENT AND HELD WITH THE CENTRAL BANK

The assets due by Government and the Central Bank are as follows:

	December 31, 2011	December 31, 2010
Amounts with the National Bank of Romania (Note 16)	390,575	383,816
Treasury Bills (Note 17)	238,656	423,193
Total	**629,232**	**807,010**

All amounts are expressed in RON thousands, unless otherwise stated

32. RELATED PARTIES

The Bank enters into transactions with related parties, which are members of OTP Group, in the normal course of the business. All related party transactions were made under substantially similar terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The most significant transactions represent time deposits, loans and the respective interest and fees received/paid.

The volume of related parties transactions, outstanding balances and related expense and income for the periods ended December 31st, 2011 and December 31st, 2010 are presented below:

	Management		Parent company		Other Related parties	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Assets						
Due from other banks	0	0	49,025	83,815	0	0
Loans and advances to customers, net	10,317	8,665	0	0	2,239	3,329
Other assets	0	0	14,259	15,622	1,445	22,947
Securities with fixed income	0	0	0	80,919	0	0
Fair Value of Derivatives Financial Instruments	0	0	3,131	10,384	0	0
Investment in Associates and Subsidiaries	0	0	0	0	899	893
Total assets	**10,317**	**8,665**	**66,415**	**190,739**	**4,582**	**27,170**
Liabilities						
Due to other banks	0	0	1,349	22,869	244	713
Due to customers	298	6,526	0	0	1,118,785	1,327,199
Loans from banks	0	0	0	0	0	0
Other liabilities	0	0	3,323	2,627	1	2
Fair Value of Derivatives Financial Instruments	0	0	346,021	325,802	0	0
Total liabilities	**298**	**6,526**	**350,694**	**351,298**	**1,119,030**	**1,327,914**
Income statement items						
Interest and Commission income	0	0	1,084	1,655	574	671
Interest and Commission expenses	0	0	1,094	657	83,519	101,168
Other income	0	0	0	0	(28)	30
Other expenses	0	0	0	0	16	0
Net result (expense) from derivative deals	0	0	30,896	(48,918)	0	0
Other commitments	0	0	0	0	54	23
Off-balance sheet commitments	**0**	**0**	**33,074**	**(46,606)**	**84,135**	**101,891**

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank.

The cumulated short term, long term and termination benefits granted to directors and other members of key management during periods ended on December 31st, 2011, respectively December 31st, 2010 were as follows:

All amounts are expressed in RON thousands, unless otherwise stated

	December 31, 2011	December 31, 2010
Salary for key management personnel	10,457	10,215
Short-term and long-term benefits	3,580	5,918
Termination benefits	374	123
Total benefits for key management personnel	**14,411**	**16,256**

33. OPERATING LEASE ARRANGEMENTS

Non-cancellable operating lease commitments

Operated leases relate to leases of locations where the Bank's branches are developing their activity.
The Lease contracts are concluded for periods that vary between 1 year and 10 years. All contracts are subject to yearly market rental revise in order to adjust the prices to the market level.
During the year 2011, most part of the rental contracts were revised to the market price which is lower than the initial contractual price.
The Bank does not have an option to purchase any of the leased locations at the expiry of the lease periods.

According to IAS 17: 33, the Bank recognizes the lease payments under operating leases as expenses, on a straight-line basis over the lease term.

	December 31, 2011	December 31, 2010
Not later than 1 year	15,038	16,866
Later than 1 year and no later than 5 years	43,773	56,188
Later than 5 years	1,234	3,352
Total	**60,044**	**76,406**

34. RESTRICTED ASSETS

As of December 31st, 2011 and December 31st, 2010 the Bank didn't held any restricted assets, except for the Compulsory reserve at NBR (please refer to Note 16 for the details about Minimum compulsory reserve amounts)

35. CONTINGENCIES

As of December 31st, 2011 (as well as at the issuance date of these financial statements), the Bank was involved in several lawsuits. Claims against the Bank are made in the normal course of business. The management of the Bank believes that the ultimate liability of the bank, if any, arising from such actions or complaints will not have a material adverse effect over the financial position or result of future operations of the Bank. As at the year-end, the Bank acted as defendant 101 law-suits and as a plaintiff in 70 law-suits.

36. BANK ACTING AS AN AGENT

OTP Bank Romania shall act as Agent on behalf of OTP Bank Nyrt and OTP Financing Solutions B.V. for the loans receivables which were sold to these two entities.
Each loan Agreement shall be administered and monitored by the Agent in the ordinary course of its business and in accordance with Agent's usual practices. OTP Bank Nyrt and OTP Financing Solutions B.V. pay to OTP Bank Romania a specific agency fee, on a monthly basis, for the performance of account-keeping and monitoring tasks pertaining to the credit portfolio purchased. The Agent does not bear any credit risk related to loans administered.

The Bank's shall act as Agent on behalf of OTP Bank Nyrt and OTP Financing Solutions B.V. by performing the following activities:

- As a security agent, the Bank will record and monitor all the collaterals in behalf of the client;

All amounts are expressed in RON thousands, unless otherwise stated

- As a paying agent, the Bank will decide the interest rate periods and values and will calculate and collect the principal, interest and other commissions;
- The Bank will keep the client informed of any actions taken by under the Loan Agreement.

"Transferred Receivables" comprise the aggregate amount of the Outstanding Loan under the Loan Agreement, all types of interest accrued but not paid as of the Settlement Date and all fees related.

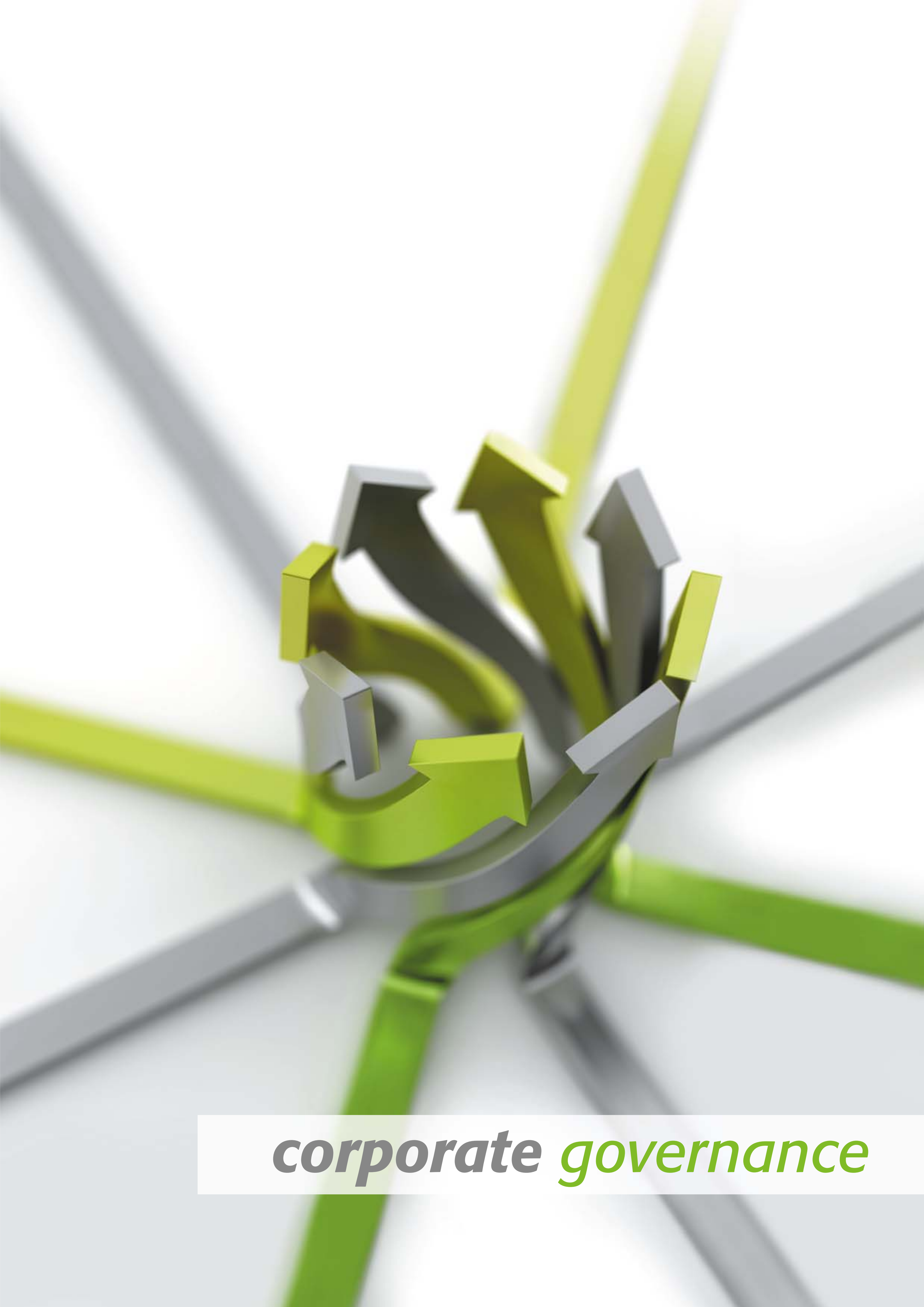
At December 31st, 2011 the Bank was administrating and monitoring transferred loans in original currencies amounting CHF 588,6 million and EUR 144,7 million.

37. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Starting with 01.01.2012, the new NBR accounting legislation, modified and harmonized with IFRS requirements was implemented as accounting basis.
As a consequence, some IFRs adjustments which were normally performed for the stand-alone IFRS Financial Statements, have been implemented in the core system and are included within the statutory accounting basis in year 2012.
Among these adjustments, the most important ones refer to: loan loss provisions computed according to statutory requirements harmonised with IFRS; Effective Interest Rate computation, as well as fair value adjustments for securities and the Deferred Tax computation and registration.
Taking into consideration that the Bank used different valuation methods for recognizing and presentation of Fixed Assets in the IFRS separate Financial Statements (cost method) as compared to the statutory Financial Statements (evaluation method), Bank's management opted for the application of evaluation method for the statutory Financial Statements starting with 1st of January 2012.
This update of the accounting policy as regards the evaluation, registration and presentation of fixed assets starting with 1st of January 2012 has the following impact:
Based on the fixed assets revaluations procedures performed by independent evaluators, by the end of year 2009 the cumulated revaluation reserves were 43,479,038 lei. These reserves have been translated into the Bank's accounting and in the financial statements of the Bank harmonised with IFRS requirements, starting with 1st of January 2012.
The gross balance of fixed assets after IFRS translation as in the 1st of January 2012 was 286,884,547 lei.
Cumulated depreciation of fixed assets as at 1st of January 2012 was 123,131,921 lei
The Net fixed assets balance after IFRS translation as at 1st of January 2012 was 163,752,626 lei, representing the opening balance on this item for year 2012.

At the end of February 2012, the Bank's share capital was increased with 139,999,920 RON, by cash transfer from the main shareholder, OTP Bank Nyrt.

Share capital after the increase is 682,908,960 RON and the number of new issued shares is 583,333, total number of shares after capital increase is 2,845,454.



corporate governance

Supervisory Board

The Supervisory Board ensures the supervisory function within the Bank, by exercising the permanent control over the Management Board activity, and also on its activity of compliance with strategies and policies in force.

The Supervisory Board consists of the Chairman, Vice-chairman and the other members.

Dr. Antal Pongrácz

Chairman of the Supervisory Board, OTP Bank Romania

Dr. Antal Pongrácz (65) graduated from the Budapest University of Economic Sciences and earned a Ph.D. in 1971.

From 1969, he worked as an analyst at the Petrochemical Investment Company, then as a Group Manager at the Revenue Directorate until 1975. From 1976, he worked in various management positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports.

Between 1988 and 1990, he was the first Deputy CEO of OTP Bank. Afterwards, between 1991 and 1994, he was the CEO, and then Chairman and CEO of the European Commercial Bank Ltd. Between 1994 and 1998, he was the Chairman and CEO of Hungarian Gambling Corporation, then in 1998-1999 he served as CEO of Hungarian flagship carrier, Malév.

Since 2001, he has worked as the Managing Director of OTP Bank's Staff Division and more recently as Deputy CEO. The Staff Division is comprised of the following professional areas: Human Resources Directorate, Internal Audit Directorate, Compliance Department, Banking Security Directorate, Corporate Secretariat, Communications Department. He has been a member of OTP Bank's Board of Directors since 2002 and Deputy Chairman since June 2009.

Dr. Antal Pongrácz was awarded the titles of Manager of the Year in Hungary (1997) and Commander's Cross Order of Merit of the Republic of Hungary (2006).

Szabolcs Annus

Vice-chairman of the Supervisory Board, OTP Bank Romania

Szabolcs Annus (35) has been, since 2007, Country Manager of Romania and held managerial positions in OTP Bank. In the same year, he became Member of the Supervisory Board of OTP Bank Romania.

Szabolcs Annus joined OTP Bank in 2000 and initially occupied the position of controller and subsidiary expert in the Bankgroup and Branch Network Directorate. Between 2005 and 2007, he was advisor to Head of Staff Division. Since 2008, he has been the Head of Bankgroup Supervision Department within the Staff Division of OTP Bank.

Besides these positions, Szabolcs Annus has had other professional assignments in OTP Group, such as: member of the Board of Directors of OTP Building Society Ltd. and member of the Supervisory Board of Portfolion Venture Capital Fund Management Ltd.

Regarding his academic background, Szabolcs Annus studied Economics at Budapest University of Economic Studies (1995-2001), having as major qualification Accounting and as sub major qualification Corporate Evaluation. He also obtained a postgraduate degree in Banking at the International Training Center for Bankers (2001-2003).

Enikő Zsakó

Member of the Supervisory Board, OTP Bank Romania

Enikő Zsakó (49) has been a Member of the Supervisory Board since 2007. Between 2004 and 2007, she was Member of the Board of Directors of OTP Bank Romania.

She joined OTP Group in 1993. Between 2001 and 2007 she worked as Head of IT Audit Department at the Internal Audit Directorate of OTP Bank Plc. From 2007, she is the Head of Bank Group Coordination, Analyzing and Methodology Department.

She graduated as Electrical Engineer at the Technical University of Cluj-Napoca, in 1985, and as Banking Consultant, in 1997, at the International Banking School in Budapest. Since 1999, she has been a Certified Information System Auditor. In 2008, she obtained a postgraduate degree in Economics, at the Budapest Business School – Finance and Accounting College.

Zsolt Szabó

Member of the Supervisory Board, OTP Bank Romania

Zsolt Szabó (48) is the Director of the Business and Product Management Head Department at OTP Bank Plc. Starting from 1995, Zsolt Szabó worked for OTP Bank in various managerial positions.

Since 2007, he has been Member of the Supervisory Board of OTP Bank Romania.

Regarding his academic background, he graduated from the Agricultural University, Faculty of Agricultural Engineering, in 1987, and in 2000, he also earned a degree from Budapest Economic College, Faculty of Accountancy.

Ákos Monostori

Member of the Supervisory Board, OTP Bank Romania

Ákos Monostori (34) is the Deputy Head of the Planning and Controlling Department of OTP Bank Plc. since 2009 and Member of the Supervisory Board of OTP Bank Romania since 2010.

He joined OTP Bank Plc. in 2003, as a financial controlling expert. Since 2005, as a Department Head, he is in charge for the management, development and overview of the annual financial budgeting and quarterly forecasting process of OTP Bank Hungary and partly of OTP Group.

Since 2007, he is responsible for the OTP Group's Hungarian core business activity, reporting in monthly management and quarterly stock exchange reports.

Regarding his academic background, Ákos Monostori graduated from the University of Economic Sciences and Public Administration – Budapest, Faculty of Economy, major in Finance (2003).

Management Board

The Management Board ensures the management function within the Bank, through the fulfillment of all the necessary and useful actions for the achievement of the Bank's activity object.

The Management Board implements the Bank's strategies and policies, delegates duties to medium level managers of the Bank/permanent committees and overseas the performance of the delegated responsibilities, remaining responsible to the Supervisory Board for the performance of the Bank.

The Management Board consists of Chairman, Vice-Chairman and the other members. The Chairman of the Management Board is the Chief Executive Officer.

László Diósi

Chairman of the Management Board and CEO of OTP Bank Romania

László Diósi (45) has been Chairman of the Management Board and CEO of OTP Bank Romania, since May 2007.

Starting with September 2005, László Diósi took over the position of Deputy CEO, Head of the Retail Division, after joining OTP Bank Romania as Retail Project Manager, in May 2005.

Between 2006 and 2008, he has also been Member of the Administration Council of OTP Garancia Asigurari S.A.

László Diósi is an experienced professional, with high performances in a wide spectrum of bank areas, such as mortgage banking, financial analysis, training, staff coordination, project management, insurances, finances, accounting, facultative private pension funds, management of investments, negotiations.

In terms of education, László Diósi started at the Semmelweis Medical University. After three years, he attended an IT programming course that apparently decided his future career. Later on, he studied at the Finance and Accounting College and graduated with a specialization in Finance. He completed his studies with a business management course that he attended at Chilterns University College – Open Business School.

Previous to his coming to Romania, László Diósi held top management or administrative positions in various financial organizations, such as: Chairman of the Board at K&H Pension Fund in Budapest, Hungary (2004-2005); Member of the Administration Council at Argosz Insurance (2004); Chairman of the Supervisory Board at ABN – AMRO Fund Service LTD (2003-2004); Chairman of the Supervisory Board at K&H Asset Management RT (2002), Deputy CEO, Head of Retail Division at K&H Bank, Hungary (2002 - 2004) etc.

János Komorowicz

Deputy CEO, Head of the Finance and Planning Division, OTP Bank Romania
Vice-Chairman of the Management Board, OTP Bank Romania
Chairman of Board of Directors, OTP Leasing Romania

János Komorowicz (46) has been Deputy CEO, Head of the Finance and Planning Division of OTP Bank Romania, since September 2004 and Vice-Chairman of the Management Board, since May 2007. He helped the integration process of RoBank into OTP Bank, following its acquisition.

He initiated the development of new infrastructure, centralization of the back office and accounting processes, design of efficient new processes. He introduced Six Sigma process improvement methodology and started electronic document management system implementation to improve efficiency and to complete centralization from branches. He started the implementation of SAP accounting, financial and controlling modules and he has been responsible for the development of Treasury and Capital Markets activities, since June 2007.

Regarding his education, János Komorowicz graduated from Budapest Technical University (1985-1990), as MSc in Electrical Engineering. He also obtained a Master of Business Administration degree at the University of Edinburgh Management School, UK (1993-1994), where he had a focus on Financial Institutions and Capital Markets.

János Komorowicz began his professional activity as consultant at Price Waterhouse Corporate Finance and Recovery, in 1990.

This position allowed him to participate in many large privatization deals as advisor of multinational buyers and also worked on restructuring of distressed companies in different industries.

Between 1995 and 1996, János Komorowicz worked as Head of Corporate Finance Desk for Bayerische Hypotheken und Wechselbank, Budapest, where he developed investment products for corporate customers and provided general consultancy to German investors. Starting with 1996, he joined General Electric Capital Europe, as Business Development Associate in London.

He worked on acquisitions and acquisition & integration projects across Europe. In 1998, he was appointed Director of Strategy and Advisor to the CEO for General Electric Capital – Budapest Bank in Hungary.

In 2001, János Komorowicz joined KPMG Consulting and was in charge of a number of successful consultancy projects for banks and leasing companies in the Central European region.

György Bodó

Deputy CEO, Head of the IT and Logistics Division, OTP Bank Romania Member of the Management Board, OTP Bank Romania

György Bodó (52) has over 25 years of experience in the area of Information and Communication Technology (ICT) and 20 years in managerial position in different companies in engineering or financial business. He also gained 15 years of international experience with companies from Austria, Germany, France, Canada and Hungary.

György Bodó joined OTP Bank Romania in August 2005, when he took over the position of Deputy CEO, Head of the IT and Logistics Division, and member of various committees as well. Since May, 2007 he has been a Member of the Management Board and president of the IT Development Committee.

Regarding his academic background, Mr. György Bodó graduated the University "Gh. Asachi" of Iasi, in 1985, specialized in Computer Science and Automation. He has also attended an Executive MBA in General Management, at the Sheffield University, UK, which he graduated with Honour in 2008. In 2009, he has been awarded with CMI Level 7 Diploma in Strategic Management and Leadership (QCF) issued by the Chartered Management Institute UK.

In addition, he attended several specialized courses, in Romania and abroad, such as Credit Risk Management and Operational Risk Management (BASEL II), in Austria; Planning and Organization/Project Management courses, in Germany; IT System Management in supporting the banking activity, in Canada; Leading and Managing People, Customer Care, Time Management, Sales and Negotiation Techniques, IFRS, Activating Change and Team Synergy, in Romania etc.

His previous work experience includes financial institutions such as: Volksbank Romania S.A., where he was Director of the IT Division; BNP – Dresdner Bank (Romania) S.A., as Head of the IT Department; Romanian Loan Guarantee Fund (FRGC), where he coordinated the IT System Department, as Director.

Mr. Bodó considers that the mission of the IT and Logistics Division is to provide all structures of the Bank with high level services, able to support the business processes, in the goal to achieve the Bank's overall financial objectives and keep the competitive advantages. The big challenge for Mr. Bodó is to get the balance between the required agility to adjust quickly to the market changes, have and keep the technological advantage, respect the regulatory requirements framework, and have under control the associated operational risk, and all these with reasonable and acceptable cost.

Gábor István Ljubičić

Deputy CEO, Head of the Retail Banking Division,
OTP Bank Romania
Member of the Management Board, OTP Bank Romania
Member of the Supervisory Board,
OTP Asset Management Romania

Gábor István Ljubičić (44) has been Deputy CEO, Head of the Retail Banking Division at OTP Bank Romania, since 2007.

Gábor István Ljubičić studied at the College of Finance and Accountancy (1988-1993), obtaining a Bank specialization. He also attended a Master of Business Administration at University Corvinus (2005-2007).

Gábor István Ljubičić has a long and prodigious career with OTP Group. He joined the Bank in 1986, occupying several types of positions including Manager, Branch Network Coordinator and Deputy District Director.

Starting from 1997, he led the projects for electronic banking services and heading later the Electronic Services Directorate.

Between 2001 and 2007, Gábor István Ljubičić occupied various managerial positions at OTP Bank, as Deputy Executive Director for Banking Group and Branch Network Directorate, Executive Director at Downtown Region and Deputy Executive Director for Northern Hungary Region.

Apart from these positions, Gábor István Ljubičić had other professional assignments, such as: Member of the Board at OTP Mortgage Bank (2003-2007) and Member of the Supervisory Board at OTP Asset Management (2008).

Ferenc Bakk

Deputy CEO, Head of Lending and Risk Management Division, OTP Bank Romania
Member of the Management Board, OTP Bank Romania

Ferenc Bakk (38) has been Deputy CEO, Head of Lending and Risk Management Division at OTP Bank Romania, since January, 2008 and Member of the Management Board of OTP Bank Romania, since 2009.

Regarding his academic background, Ferenc Bakk graduated Babes-Bolyai University, Faculty of Economics, Cluj-Napoca, being specialized in Banks and Stock Exchange. He also obtained a Master in Financial Strategies at the same university and he graduated Master of Business Administration at CEU Business School, Budapest.

In terms of professional experience, Ferenc Bakk started as a Stock Broker and later on, as Product Manager in insurance business. Between 1998 and 2000, Ferenc Bakk was involved as consultant in company reorganizations, cost cutting/cash flow harmonization, strategic management, energy business projects as team member and later on, as project manager.

Between 2000 and 2004, he worked as credit analyst and monitoring analyst at HVB Bank Hungary Rt., being responsible for forming the risk opinion related to loan requests of corporate clients, preparing feasibility studies for the largest borrowers, setting up and implementing the monthly loan portfolio analysis etc.

Starting from 2004, Ferenc Bakk was Senior Credit Advisor at the K&H Bank Rt., in Budapest, having as responsibilities the preparation of credit advices for the loan requests of the largest Hungarian companies and for project finance deals, representation of the credit management in several internal projects and being a teacher in the credit school of the Bank.

Ferenc Bakk joined OTP Bank Romania in June, 2007, occupying the position of Director of Credit Administration Directorate and being in charge with the centralization of the credit administration activity.

Since January, 2008, he has been nominated Deputy CEO, Head of Lending and Risk Management Division. Among others he was in charge with setting up the work-out activity of the bank and reorienting the bank's credit policy towards areas acceptable for lending in this period.

On 1st January 2012 Ferenc Bakk joined OTP Bank Hungary, being responsible for Hungarian corporate lending activity in the risk management team.

corporate social responsibility

Corporate Social Responsibility

We act and move responsibly towards the future. We encourage ourselves and others to overcome society limits and create a better world for the future generations.

We think that our mind set can be enclosed in the following quote:

"True civilization is the one in which one gives the others the rights he demands for himself."

Robert Ingersoll

Since the beginning of our activities in Romania, we strived and succeeded to include CSR projects in our development strategy.

We build our activities upon our core values, trust, partnership and integrity, which we keep in mind whenever interacting both with our clients and our employees.

From the trust and respect paid to our clients, to special internal programs for our employees, education, children and youth, culture and arts, environment, sports and human rights, OTP Bank Romania entrusts an important role in each social activity, within long term CSR strategies.

OTP Equal Opportunity Program

We engage and offer support to those that make it their mission to help social groups. We analyze and find those who need us the most, with a special attention on children. We are aware that there is no other way you can support a society's growth other than supporting the development of its children. Children are our tomorrow's future, so we are always looking for opportunities to improve their lives through partnerships with children organizations and associations.

OTP Community Building Program

OTP Bank Romania is committed to helping and consolidating communities.

Culture is a heritage that is entrusted to us for future development. To this end, we chose to offer our logistic and financial aid to special events, theatres, concerts, actors and films that are related to communities, special publications such as albums, exhibitions and artists' associations.

OTP Sport Program

There is right in the Latin philosophy that captures the correct balance between mind and body, "Mens sana in corpore sano" and

thus it is part of our mission to promote sports and most of all a healthy way of living. OTP Bank Romania positions itself as a reliable partner for sport organizations and competitions that sustain professional conduct.

Employees

We value our employees as they are our most important resource. They are the start engine for every achievement, for every good result that we have had in more than 7 years of presence on the local market. Especially for them, we have started a wide range of internal personal and professional development programs.

Having an ethical approach and a healthy working philosophy, OTP Bank Romania turned social responsibility into a general practice within the organization.

We constantly recycle paper and other used materials, we are responsible in the way we use our energy by implementing intelligent systems of cutting energy consumption and we encourage our employees to be part of voluntaries programs, such as blood donations, trees planting activities and others.

Right to Read CSR Campaign

More than two years ago, OTP Bank Romania launched its first national social responsibility campaign, **"Right to Read".**

Starting from the grounds that a large number of schools in the rural environment do not have a library or benefit form a limited collection of books, the campaign aimed at providing the disadvantaged general schools from the villages of Romania.

The main objectives of the campaign initially were:

- Directly donate, during 2010, at least 10,000 carefully selected books and the appropriate furniture to create libraries in 20 rural schools recommended by the Ministry of Education, Research, Youth and Sports;

- Get the public to support the access to reading by asking them to donate books, in all the territorial banking units of OTP Bank Romania and in the partners' locations;

- Collect donations of at least 15,000 books throughout 2010, to allow for the installation of at least 15 additional libraries.

The target audiences were school children, teachers, local authorities, the wider Romanian public, opinion leaders and the mass-media.

The objectives were over passed entirely and the campaign became an enormous success.

By the end of 2011, we succeeded to fully equip **110 rural schools** with books and proper furniture.

Almost 20,000 children won back their natural right to read by receiving almost **80,000 books.**

The civil society played an important role in obtaining these positive results. People understood the needs of these disadvantages children and helped us by donating an impressive number of books.

Marcela Grigoriu, the headmaster of Coropceni School, one of the beneficiaries of the campaign: "Our 198 pupils were more

than delighted that they would have their own school library and would no longer have to walk five kilometers to the community library, in order to borrow the books they needed".

Mihai Toma, a teacher at Malnas School: "Congratulations for your initiative and for the effort you're making in not letting culture and books become memories! All the best!"

Ionut Grigore, a Facebook fan: "The future of Romania stands in education and common sense, your project is highly appreciated! Congratulations for this outstanding initiative and for all positive things you do for disadvantaged children in the rural areas, where all support means a lot and the initiative is very appreciated by the people!"

Considering these remarkable results, the subscription to one of the most prestigious competition dedicated to the PR industry came naturally. The news that the "Right to Read" campaign was shortlisted at **EMEA Sabre Awards 2011** came as a true recognition of the CSR program.

The Gold award received by the Right to Read campaign, for the „Best Campaign in Balkans" emphasized the campaign's impact on local communities.

The campaign has two core messages for external audiences:

- "Let's give them back their right to read"
- "Reading gives future generations a complete education – donate a book!"

The campaign benefits of a dedicated website: www.estedreptulmeu.ro that is updated in real time and allows a close interaction with its visitors. You can find more details about the project and way people get involved by accessing also our Facebook page. By the end of 2011 the "Right to Read" Facebook page had **more than 18,000 fans**.

Special CSR logo

All the corporate social responsibility activities of OTP Bank Romania are developed under the same identity umbrella.

The graphic representation of the special logo, a dove, symbol of love and peace, gets you to think of simplicity and purity, but also takes the viewer in an aspirational area. The dove brings us hope and together with the slogan, **"the right to a better world"**, reminds us that we have a natural right to education, a healthy climate and a cleaner environment.

CSR annual report

Starting 2009, OTP Bank Romania publishes an annual CSR report, highlighting the most important social responsibility projects and programs, as well as the annual results achieved in this area. Both the OTP Group's CSR annual report and OTP Bank Romania's report are made in accordance with the Global Reporting Initiative G3 guidelines. These are most frequently used and internationally appreciated sustainability reporting guidelines.

The CSR annual report gives an account of the bank's performance during the year, from the perspective of sustainability and corporate social responsibility. The report is available to all of our stakeholders. We have made an effort to include all material information of concern to our stakeholders, while at the same time keeping this information straightforward and comprehensible.

OTP Bank has made a part of its mission to continue to act in a responsible way towards society and its customers as it did since the foundation of the bank.

compliance function

provisions against money laundering

Compliance Function – Provisions Against Money Laundering

One of the major risk categories is the compliance risks that impact the Bank activity.

In OTP Bank Romania, **Compliance Function** was implemented on the Bank organisational structures in the scope of manage this type of risks.

Compliance function has a major role to assist institutions management in identifying, evaluating, monitoring and reporting of compliance risks, in order to compliant with the legal provisions framework, with the internal regulations and international best practices.

Compliance risks can be considered as follow:

- Inadequate monitoring of customers transactions;
- Improper due diligence;
- Non-compliance with legal requirements related to the relevant secret and data protection;
- Non-effective liquidity risk management;
- Non-compliance with U.S. Patriot Act requests;
- Breach of conflict of interest and ethical rules;
- Non-compliance with prudential requirements (capital adequacy and reserve creation) Compliance with prudential requirements (capital adequacy and reserve creation);
- Non-compliance with MiFID regulations.

Compliance Direction is a strategic unit within the organizational structure of the Bank.

Compliance Directorate **role** is to identify and monitor the compliance risks that affect the Bank, to elaborate regulations, standards and recommendations regarding the compliance risks mitigation, and initiate supervision and audit of Bank business processes impacted by the compliance risks.

One of the major responsibilities of the Compliance Directorate is the compliance risk assessment with compliance audit function.

Compliance objective function according to the Bank Policy and legal requirements is to ensure a legitimate and good governance and concrete operations in accordance with legislative and regulatory framework and maintaining a good reputation in the business, which means compliance with statutory regulations and compliance in an volunteer with the provisions of other rules.

OTP Bank Romania is committed to comply with legal expectations at all times in the field of action against money laundering and the financing of terrorism. Compliance with these assumes continuous development of the relevant internal rules and controls, and keeping up an efficient and up-to-date grouplevel anti-money laundering programme. In order to ensure a high-standard compliance with action against money laundering, the Bank management and staff cooperate with the compliance area.

Development and supervision of an antimoney laundering programme is a duty of the Compliance Directorate, but keeping illegal money away from the institution is a shared responsibility of all employees.

The key programme elements are regulation of activities aimed at knowing and screening the customers, compliance with the reporting obligations, cooperating with the relevant authority, educating the employees and compliance with the requirements of document retention. In order to ensure efficient compliance with the "Know Your Customer" expectations, the Bank's compliance area needs a customer segmentation in its anti-money laundering systems, as well as matching risk-based transaction screening.

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